BancOhio Corporation 1976 Annual Report

Table of Contents

On the Cover

During the year, the name BancOhio was added to 40 of the Corporation's Banks. New signs, such as you see on the cover, were made and will be installed on BancOhio Bank offices by the time of the Annual Meeting.

Profile—BancOhio

In the 47 years since BancOhio opened its doors as the first bank holding company in Ohio, it has enjoyed a steady growth and by the close of business in 1976 had reached these levels:

- 41 Banks with combined assets of nearly $3.6 billion.
- 217 Banking offices throughout the state serving markets that reach two out of every three of Ohio's almost 11 million people.

Ownership of the Corporation is broad. Today stock in BancOhio is held by more than 14,000 shareholders. They live in 87 of Ohio's 88 counties, 49 states, the District of Columbia and 5 foreign countries. The Corporation has paid a dividend in every quarter since its founding in 1929.

BancOhio engages in general commercial and retail banking and trust services through its 41 Banks. Collectively these Banks provide a full range of banking services to individuals, businesses, government agencies, corporations and institutions throughout Ohio.

More than 20 Banks are equipped with 24-hour **AnytimeBank**® machines which enable customers to withdraw and deposit funds from checking and savings accounts and obtain Master Charge cash advances at any hour of day or night.

BancOhio itself provides technical and operational support to its Banks in administering investment accounts, insurance programs and employee benefit plans; making audits and examinations; and in preparing tax returns. It furnishes aid in loan administration, leasing, marketing, data processing, trust services, legal counsel, design and construction of bank facilities, and other areas of operation.

In addition BancOhio works at expanding and improving bank services to customers in order to enhance the competitive position of each Bank. Each Bank has its own separate management staff and board of directors composed of community leaders.

BancOhio wholly owns and operates four non-bank affiliates. They are First Realty Corporation, which though not active, holds one piece of land as a potential site for a banking office; The Unit Supply Company, which purchases and supplies printed forms and office equipment to BancOhio and its Banks; Midwest Econometrics, Inc., a small research firm which prepares reports and studies in the area of economics and finance, and Ohio BancLease, Inc., which operates as BancOhio Leasing Company and leases professional, business, agricultural and industrial equipment, machines and non-licensed vehicles to customers of BancOhio Banks.

Financial Highlights

For The Year	1976	1975	Increase (Decrease)
Income before securities transactions	$ 22,347,119	$ 24,044,528	$ (1,697,409)
Per share	3.06	3.29	(.23)
Net income	22,366,369	23,673,730	(1,307,361)
Per share	3.06	3.24	(.18)
Cash dividends	8,770,354	8,441,465	328,889
Per share	1.20	1.15½	.04½
At Year-End			
Assets	$3,595,614,144	$3,215,538,540	$380,075,604
Deposits	2,947,701,505	2,656,710,064	290,991,441
Loans	1,549,443,754	1,421,845,436	127,598,318
Valuation reserve for loan losses	15,573,100	13,361,769	2,211,331
Shareholders' equity per share	33.05	31.19	1.86
Affiliate banks	41	40	1
Banking offices	217	204	13

Chairman's Message

BancOhio's net income per share, before securities gains and losses, was $3.06, a decline of 7.1 percent from the $3.29 of a year ago. This performance, however, represents the third highest level of earnings in BancOhio's 47-year history. The annual dividend was raised to $1.20 per share, compared to the $1.15½ per share paid out in 1975.

Earnings in 1976 reflected the continuing aftermath of the recession. During the year, $10.8 million was charged to earnings to cover actual loan losses and to increase the loan loss reserve. While this is somewhat less than the $12.2 million charged to earnings last year, it is still an amount in excess of that which can be covered without adversely affecting the normal profit margins of banking. In spite of this unusual charge, this year might have equaled or possibly surpassed the earnings of 1974 and 1975, the two previous record years, except for the sharp drop in business loan demand and lower interest margins. On average, commercial loans outstanding were down approximately $11 million because customers were able to meet their financial needs with less borrowing. Overall interest margins have declined by 33 basis points compared to the experience of 1975. The provision for income taxes also sharply increased this year compared to 1975 and 1974. Certain transactions occurring this year may generate tax benefits in future years, but these potential benefits are not reflected in current earnings.

Above all, we believe that the potential of BancOhio is greater than has yet been realized. Ohio provides a strong and diversified agricultural and industrial base for our banking services. For many years, BancOhio was the only bank holding company in Ohio. During more recent years, other large Ohio banks have also formed holding companies and embarked on acquisition programs, but BancOhio still covers more of the state than any of the other holding companies. The Banks in our system working together have the potential of meeting more of the financial needs of Ohio and at the same time improving our rate of return on shareholders' equity. In this report we try to explain some of the rationale and goals of the new organization that have been put in place to realize the full potential of BancOhio.

We hope you will make a special effort to attend the Annual Meeting. It will be held in our new BancOhio National Plaza building, and we would be pleased to have you see and tour these new facilities.

Meanwhile, whether you attend the Annual Meeting or not, feel free to write whenever you have a question about BancOhio. And if you are not already doing so, please give serious thought to doing your banking with a BancOhio Bank. It is the best way to support your investment.

Robert G. Stevens

Robert G. Stevens
Chairman, President &
Chief Executive Officer
February 4, 1977

Realizing the Full Potential of BancOhio

During the 1970's we have come through the worst recession in some forty years and have been confronted with basic problems of energy conservation, environmental protection and the opening of a new era in the long struggle for social justice and equality. Since January of 1970, BancOhio expanded from a system of 22 Banks with 95 offices to 41 Banks with 217 offices. During the past year there has been a change in senior management and in organization structure.

The U.S. banking industry has been severely tested during the recent recession period.

Indeed, these years have tested the fundamental strength of BancOhio. In spite of these stresses, net operating earnings of $24.0 million in 1975 were the highest reported in the history of the organization. The second highest operating earnings, $22.7 million, were achieved in 1974. This year earnings were $22.3 million or $3.06 per share. This is 7.1 percent below the record level of earnings for 1975, but is still the third highest in our history.

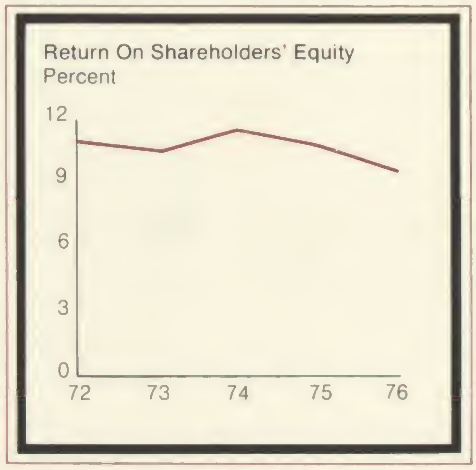
In considering this year's earnings, there are two points to keep in mind. First, we have been through a period of recession when the safety of principal of both corporate and governmental obligations was in question. We believe that period is behind us.

At the end of 1974, in the midst of the recession, the Corporation had a loan loss reserve of $13.4 million representing 0.90 percent of loans outstanding. At year end 1976, the loan loss reserve stood at $15.6 million or 1.01 percent of loans outstanding. Likewise, the market value of our investments at the end of 1974 was $81 million below book value. At year end 1976, the market value of our investments was approximately $600,000 less than book value. This is the smallest amount of portfolio depreciation at any time over the past decade.

Operating earnings in 1972, the high point in the economy before the recession, were $18.5 million. Over the period of the recession, earnings have increased 21 percent to the $22.3 million earned in 1976. Our five-year compound growth rate in operating earnings is 7.4 percent per year. While that is not superior performance, it has supported an increase in dividends from $.92 in 1972 to $1.20 for 1976.

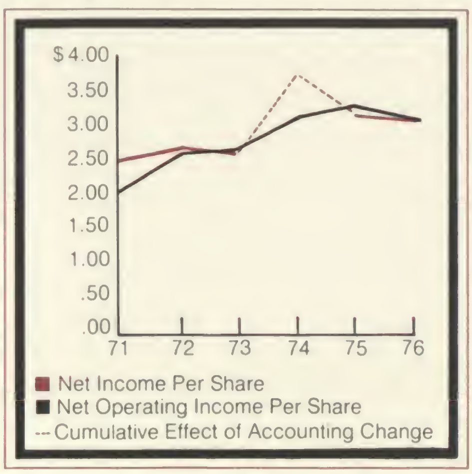
The results of 1976, therefore, reaffirm the validity of the record operating earnings reported in 1974 and 1975 and attest to the improved quality of earnings in 1976.

A second point is of more significance: The potential of BancOhio is greater than has yet been realized. Although the past three years have set earnings records, BancOhio has not achieved a rate or return on assets or on shareholders' equity equal to that realized by other large Ohio financial institutions.

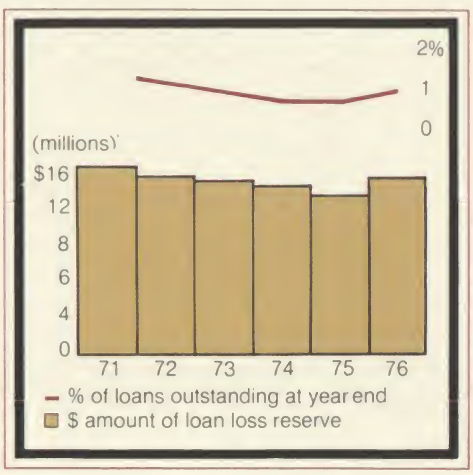


The 1970-75 U.S. bank average return on equity was 12.0 percent, but Ohio's banks averaged 11.4 percent over the same period, the average return on BancOhio has been 10.2 percent.

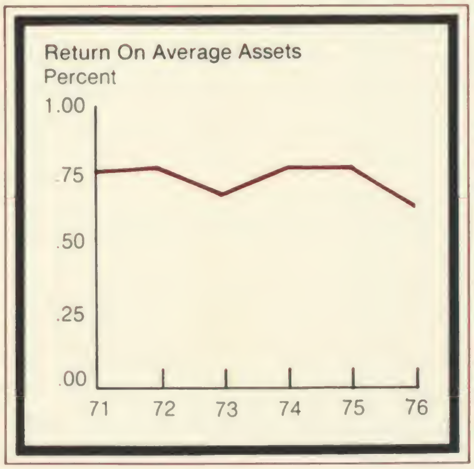
Net Operating Earnings at BancOhio have varied but are 21% higher than at the beginning of the recession.



The strength of the loan loss reserve position attests to the quality of BancOhio earnings.



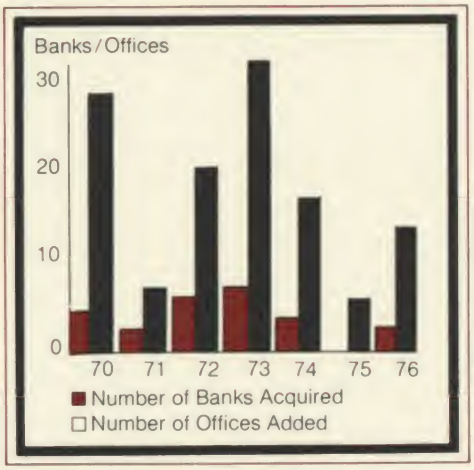
Return on assets has been impacted by loan losses and expansion

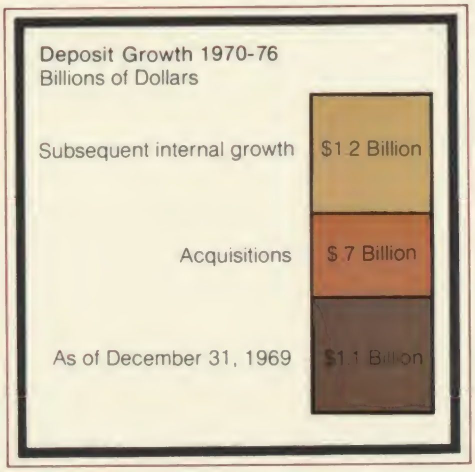


	Banks	Offices	Population Served*
BancOhio	41	217	5,818,200
First BancGroup	16	95	2,146,800
Society Corp	12	89	3,091,100
Huntington BancShares	12	85	2,168,700
Central Bank Corp	9	77	3,664,800
Centran Corp	5	71	2,373,700
CleveTrust	9	117	2,908,200
First National Cincinnati	4	39	1,178,400
National City Corp	5	63	2,199,100
Union Commerce Corp	3	49	2,547,700

*Population of counties in which banks are located

BancOhio added 24 Banks in seven years.





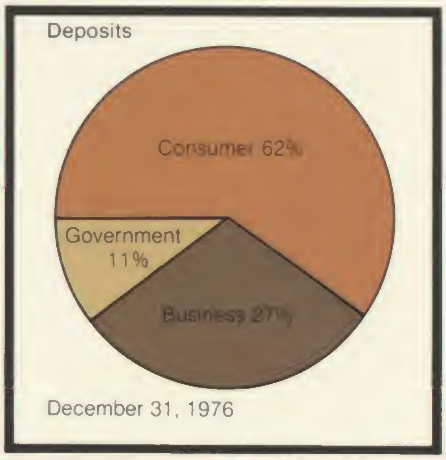
BancOhio's Operations Group has the job of standardizing the Corporation's computer equipment: (l. to r.) Norman L. Harris, Vice President, C. Robert Stalter, Senior Vice President, and Kenneth D. Sherman, Assistant Vice President.

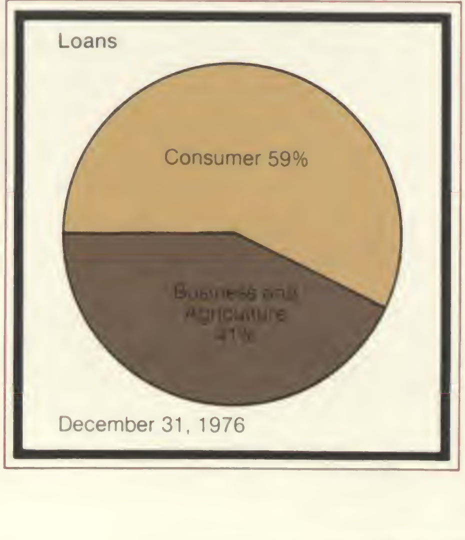
One reason for this lower rate of return is the impact of the large number of acquisitions and mergers over the past seven years. Since 1970, this expansion program involved the acquisition or merger of 24 Banks into the BancOhio system. It takes time, however, to create the management, operating and marketing programs needed to realize the benefits from this increase in the number of Banks. It may, in fact, require some additional investment and organization before we begin to realize the full potential of the opportunity that has been created. The other Ohio holding companies appear to be making major efforts to put themselves in a position equal to ours, but any one of them would have to commit to a major effort to build a statewide organization of our size.

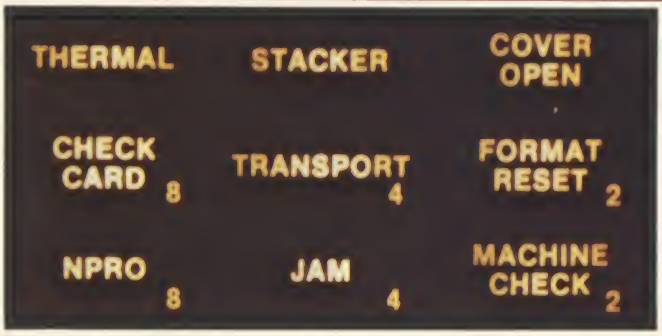
The ability of BancOhio or any holding company to capitalize on the opportunities offered by wide geographic coverage depends largely on efficient and productive operations. The acquisition of almost every Bank gave us a different check processing, installment loan and general ledger accounting system. We started 1976 with computer equipment from five different manufacturers. In order to bring the appropriate management skill to this problem, a new Operations Group was created at the holding company level. These people have made significant strides to standardize our computer equipment in order to eventually reduce costs and to permit us to deliver a uniform and efficient service to the customer. This is at least a two-year effort and is expected to add more than $2 million to expenses in 1977. We believe the marketing and operational benefits in the future will be significant.

The original BancOhio Banks, as well as the more recent acquisitions, are primarily consumer Banks—offering personal checking and savings accounts, installment loans, home financing and credit cards. BancOhio emphasized personal banking some twenty years before the idea was embraced by the whole industry. A Consumer Banking Group has been created to coordinate marketing, advertising and product development for the individual. BancOhio is in a unique position to be a major consumer banking institution in Ohio, but it will take the very best skill and imagination of the people of the Consumer Banking Group along with that of all our BancOhio bankers who directly serve the customer to maintain the vitality and profitability of our business.

BancOhio has a good balance of both personal and corporate business.





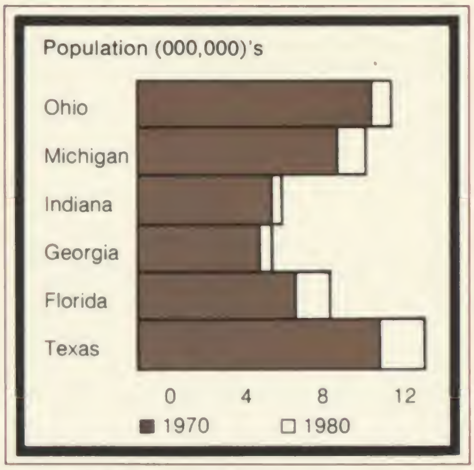


The first effort of the people in the Consumer Banking Group and representatives from our Banks was to complete a program to give our Banks a common name "all around the state." By the time of the Annual Meeting, we should have "BancOhio" signs on all our Banks except for The Ohio State Bank in Columbus. Many of our Banks will have the benefit of television advertising for the first time. Advertising in one market tends to reinforce the advertising in all markets. We expect economies in the production and placement of advertising as well as in its effectiveness.

This full-page advertisement announcing BancOhio's statewide corporate identity program appeared in Ohio newspapers. Radio and television advertising was also used to gain recognition of BancOhio as Ohio's largest family of banks.

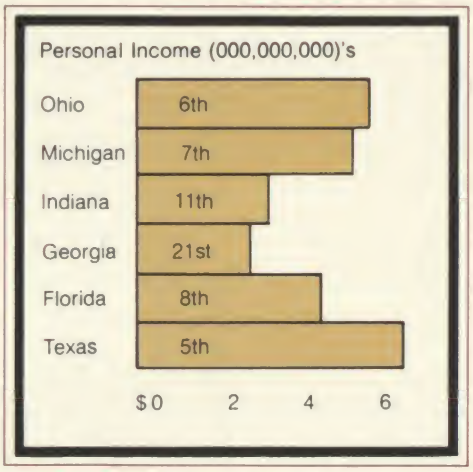
Although BancOhio is involved with serving the direct banking needs of the individual, another great potential lies in meeting the needs of industry and agriculture which provide jobs for the people of Ohio. In manufacturing employment, Ohio ranks third in the United States and among the top ten in other areas of commercial employment; in agriculture, Ohio is among the top producers of corn, soybeans and other basic food products.

Even if the population of Ohio stabilizes, it is a very large banking market.



Source: U.S. Department of Commerce

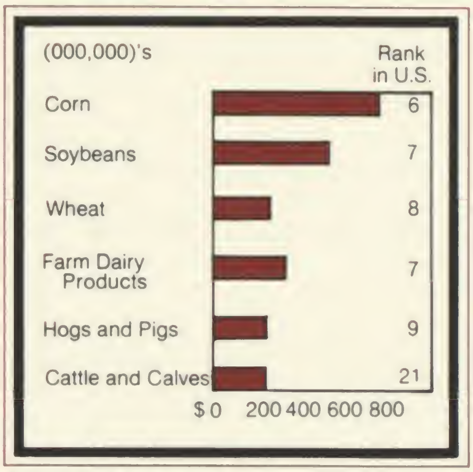
The average bank customer in Ohio is more affluent than in many states.



Source: *Business Week,* January 17, 1977

There are 17 of the top 200 of *Fortune Magazine's* largest industries headquartered in Ohio and there are 12,000 plants, offices or other facilities of *Fortune's* top 1000 industries. In the past, BancOhio Banks have generally restricted their activities to their own counties with somewhat limited coordination in promoting commercial business. We believe that the time has come for every BancOhio Bank to bring the services and advantages of our total banking structure—nearly $4 billion in resources—to its community. In order to achieve this goal, a Corporate Banking Group was organized to assist the personnel of each of our Banks in meeting the needs of Ohio business and agriculture in all of our BancOhio communities.

Ohio is a major force in agriculture.



Source: U.S. Bureau of Labor Statistics.

Through the expansion of programs already developed and proven by individual Banks in our system, BancOhio has recently announced programs in agricultural lending, leasing and accounts receivable financing. Efforts are underway to extend services to larger companies throughout the State.

The "BancOhio" common identity also helps develop commercial business for all BancOhio Banks.

Ohio economy provides a diversified base for corporate banking.

The investment portfolios of the BancOhio Banks are managed by the Money Management Group at the Corporation. Total investments of the BancOhio Banks amounted to $1.6 billion at the end of 1976 and provided $115 million of interest income on a taxable equivalent basis. For perspective, in 1970 the consolidated portfolios of the Banks in the system at that time were $623 million producing $36 million of interest income.

Less emphasis was placed on tax exempt securities during 1976 because of the considerable tax benefits recognized and carried forward from prior years. For the same reason, investment tax credits on the new BancOhio National Plaza building and other tax advantages available to the Corporation were not booked this year. While these credits and deductions are expected to enhance earnings in the future, they are not reflected in current earnings.

The investments in the portfolio had an average maturity of 6 years both in 1975 and 1976. However, more than $50 million of older holdings of municipal bonds and more than $125 million of low yielding securities were liquidated during 1976. Through the purchase and sale of other securities, these losses were offset so that the net effect for the year was a small gain on securities of $19,250.

BancOhio National Plaza, 155 East Broad Street, Columbus

The market value of the total portfolio was approximately $600,000 below book value at the end of 1976, a sharp improvement from the $67.6 million depreciation on the portfolio at the end of 1975. As indicated earlier, this is the smallest amount of portfolio depreciation at any time over the past decade. In addition, book yield was virtually unchanged for the year despite a prolonged market rally which saw 3-month Treasury Bill rates decline to 4.32 from 5.16, 2-year Treasury coupons to 5.34 from 6.92, and Bond Buyers Index to 5.82 from 7.30.

The Money Management Group also assumed during 1976 the responsibility for extending trust services to all BancOhio communities. At present, we have trust powers in ten of our Banks. We believe there is a greater demand for these services and that we can meet that demand by creating more harmonious product identity and operating systems and by expanding all types of trust services throughout our family of Banks. Because this business does not expand rapidly, the objectives over the near term are more organizational and operational in nature with but modest goals established for market penetration. With persistent and coordinated effort, the financial results will be meaningful in the years ahead.

In June, employees of BancOhio and BancOhio/Ohio National Bank moved into the new BancOhio National Plaza on Capitol Square. The 25-story headquarters complex at 155 East Broad Street in Columbus contains almost 500,000 square feet of space and is a welcome change from the various and outgrown quarters previously occupied.

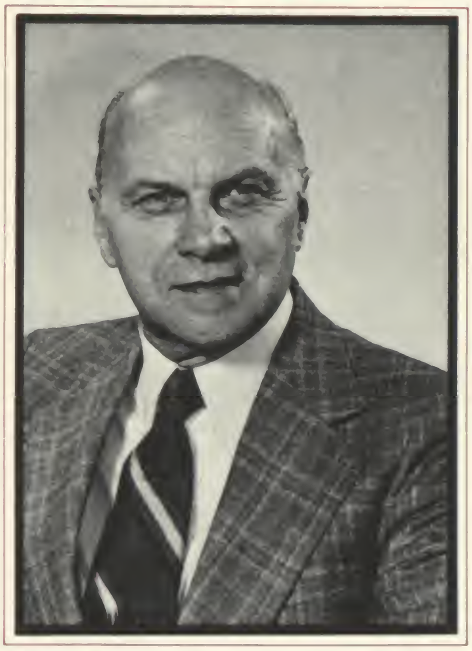
During 1976, six new presidents were elected among the BancOhio Banks and Walter C. Mercer became chairman and chief executive officer of BancOhio/Ohio National Bank and also assumed a broader role as vice chairman of BancOhio Corporation.

The new officers are Brooks P. Julian, BancOhio/Ohio National Bank; Glenn S. Fisher, BancOhio/Geauga County National Bank; Ted W. Sanders, BancOhio/Logan County Bank; E. E. Surbey, BancOhio/Cummings Bank Company; Gordon S. Lemert, The Ohio State Bank; and Willis I. Else, BancOhio/Akron National Bank. Mr. Else replaced the late G. Vernon Owen, Jr. whose outstanding contribution to Akron National Bank and to the Corporation will add to our success in the years ahead.

Brooks P. Julian

Ted Sanders

Gordon S. Lemert



Willis I. Else

Glenn S. Fisher

E.E. Surbey

The addition of two more Banks in 1976 brought the number of BancOhio Banks to 41. They were the Medina County Bank of Lodi, which merged with BancOhio's Medina affiliate and the Geauga County National Bank of Chardon, which was acquired by BancOhio. Seven more banking offices were opened.

For the Bicentennial, BancOhio and BancOhio/Ohio National Bank established the nineteenth century Bank of Ohio in Ohio Village. The purpose is to teach young people the importance of banking in the development of Ohio. Ohio Village recreates a typical Ohio county seat of the 1850 period with authentic shops, furnishings and atmosphere. It is located near the Ohio Historical Society Museum in Columbus. Bank of Ohio, built in cooperation with the Ohio Historical Society, was officially opened October 17.

An authentic surrey was used to demonstrate BancOhio's part in the Bank of Ohio last summer. Mrs. Jody Anderson whose idea started the project holds the money chest while (l. to r.) Vice Chairman Walter C. Mercer and Chairman Robert G. Stevens ride inside the vehicle.

Bank of Ohio

Shareholders' Portrait

If, as Emerson observed, an institution is the lengthened shadow of one man, then perhaps the modern public corporation is the extended portrait of its shareholders. And in the case of BancOhio, that portrait would embrace the 14,770 shareholders who own the Corporation.

Who the Shareholders Are

More people than institutions own BancOhio stock—12,969 people, which represents 88 percent of all shareholders, and 1,742 institutions (typically pension funds, which in turn invest for the benefit of hundreds of other individuals). And, reflecting the national trend in ownership of securities, homes and other valuables, the largest group of BancOhio owners is women. The 5,513 female owners of the stock comprise 37 percent of all shareholders and own 2,374,458 or 31 percent of the 7,308,628 outstanding shares. There are 4,889 men with 2,285,679 shares and 2,567 joint owners of 577,333 shares.

Where Shareholders Live

BancOhio shares are widely distributed as are the individuals, geographically speaking, who own them. There are 4,506 shareholders who own between 100 and 300 shares and another 4,021 with between 1 and 49 shares each.

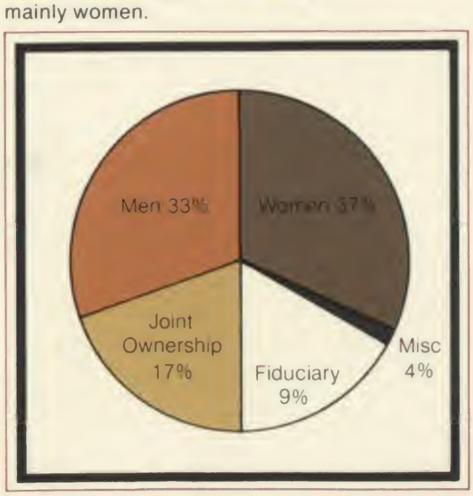
Ohio, as would be expected, is home state for the overwhelming majority of BancOhio shareholders. There are 12,243 shareholders who reside in Ohio. They represent 83 percent of all shareholders and own 6,025,305 shares, or 82 percent of the total stock. Florida with 447, California with 266 and Pennsylvania with 187 shareholders are the next most popular states. Alaska is the only state without a single BancOhio shareholder.

Shareholders reside in all but one of Ohio's 88 counties (the missing county is Brown). Their numbers include the 3,931 who reside in Franklin County and claim 2,745,051 shares, and as small as the lone Van Wert County resident with 3 shares. The second largest group of shareholders—790—resides in Summit County and controls 521,032 shares.

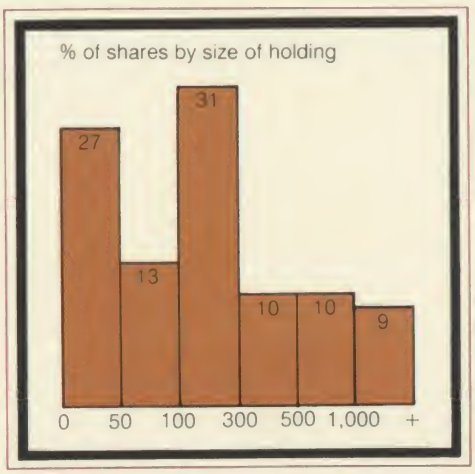
Each of These Counties Has More Than 100 Shareholders:

County	Shareholders	Shares
Carroll	106	20,941
Clark	217	69,069
Columbiana	152	32,889
Coshocton	223	116,804
Cuyahoga	422	156,358
Delaware	286	108,301
Erie	234	101,773
Fairfield	215	82,208
Fayette	169	94,534
Franklin	3,931	2,745,051
Guernsey	145	56,513
Hamilton	115	60,011
Hardin	109	28,947
Henry	184	69,835
Hocking	153	35,864
Knox	149	85,554
Licking	493	252,887
Logan	151	36,077
Madison	146	57,463
Mahoning	263	106,835
Montgomery	370	56,880
Muskingum	286	132,612
Perry	169	48,947
Pickaway	131	47,859
Ross	151	71,295
Scioto	101	30,820
Seneca	114	46,581
Stark	126	40,555
Summit	790	521,032
Trumbull	200	59,563
Tuscarawas	184	39,824
Wood	168	49,039

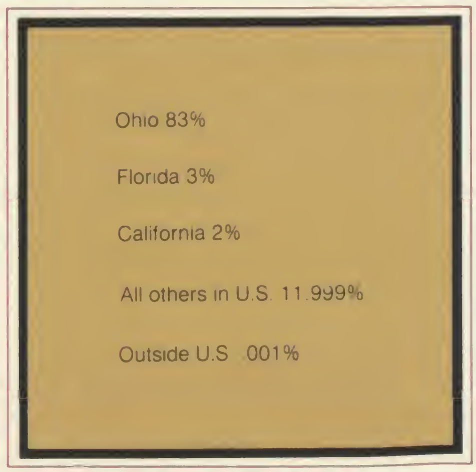
Stock held mostly by individuals... mainly women.



Size of holding well distributed



Where BancOhio shareholders live



New Acquisitions, New Shares

Having surveyed the shareholders, a brief look at the shares themselves is in order. To begin with, they have been steadily increasing in number as new shares have been issued for the purpose of acquiring banks and as stock dividends. At the close of business in 1969, there were 4,664,287 outstanding shares. At the close of business this year, outstanding shares amounted to 7,308,628, an increase of almost 57 percent.

It is a simple matter to obtain shares of BancOhio. They are traded daily in the Over-The-Counter (OTC) market. The bid and asked prices are quoted by the National Association of Securities Dealers (NASD) and listed in many daily newspapers. Orders to buy and sell can be promptly executed by any reputable brokerage firm.

In contrast, the stock of many local independent banks is closely held, either by a family or a tightly-knit group of business associates, and is generally not available to the public. In many Ohio communities there are more BancOhio shareholders than there are shareholders in the local independent bank.

A Return of Income

A look at the disbursement of BancOhio dividends points up this little-known but basic financial fact of life. A significant portion of the BancOhio income derived from the 40 counties in which BancOhio Banks are located is returned to shareholders in those counties in the form of dividends. In 1976, such dividends amounted to $6,635,198.40.

More Active Trading

The NASD ranks the 1,410 Over-The-Counter stocks based on the dollar value of each issue's average weekly volume. In 1975, BancOhio ranked 461 with average weekly dollar volume of $123,900. This year the stock climbed to 414 with average weekly dollar volume of $197,400. The average stock on the National OTC-NASDAQ List has five market makers, BancOhio has seven. This makes it easier to buy and sell BancOhio shares anywhere in the United States.

In 1976 the bid price of BancOhio shares ranged from a low of $13.75 per share to a high of $19.25. The range in 1975 was $11.25 to $16.25, in 1974 from $11.00 to $22.00.

Higher Dividends

Dividends paid on BancOhio shares have kept pace with the cost of living. From the $.85 per share paid out in 1970, dividends have risen to the $1.20 per share paid this year, an increase of 41 percent in seven years.

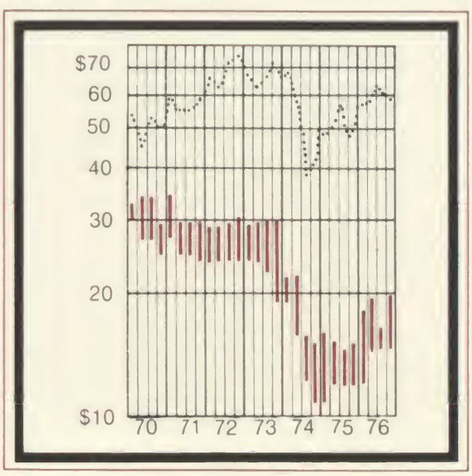
Dividend Reinvestment Program

As a special service, BancOhio offers a reinvestment plan under which shareholders may elect to have quarterly cash dividends invested for them in additional shares of stock. This automatically increases an individual's holdings while saving the investor money on the costs of purchasing the additional shares.

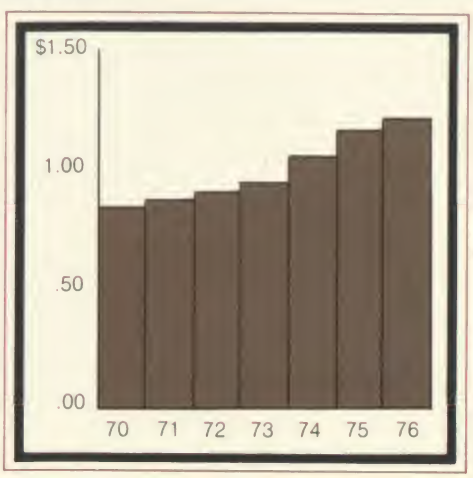
BancOhio's Dividend Reinvestment Program is provided at no cost to the shareholder.

Increase in shares since 1970

Price of BancOhio Stock...1970-1976
···· Keefe Bank Index
■ BancOhio Corporation stock



Cash dividends have increased 41% since 1970.



BancOhio Banks Are Located in Areas of Ohio Population Growth

BancOhio has Banks in 8 of the 10 counties expected to grow the fastest in terms of number of people in the next four years. There are seventeen Ohio counties which are expected to add 5,000 or more people in the next four years. BancOhio is in 11 of these.

Source: *Sales Management Magazine*

Financial Highlights of Affiliate Banks

Averages (in millions)

Main Office Location	Total Loans 1976	Total Loans 1975	Total Deposits 1976	Total Deposits 1975	Total Equity 1976	Total Equity 1975
Northwest Region						
Delta	$ 10.5	$ 10.4	$ 18.7	$ 17.7	$ 1.9	$ 1.8
Kenton	11.4	10.7	24.2	20.9	2.0	1.8
Napoleon	12.0	10.7	25.3	21.5	2.8	2.6
Perrysburg	9.0	8.4	18.2	16.2	1.9	1.7
Tiffin	14.6	13.4	27.9	26.6	2.5	2.3
Total	57.5	53.6	114.3	102.9	11.1	10.2
Western Region						
Bellefontaine	7.2	6.7	13.9	12.0	1.8	1.6
Loveland	8.8	7.9	14.5	11.1	1.4	1.5
Springfield	56.0	53.8	94.5	86.3	8.1	7.6
Vandalia	6.2	6.8	12.8	9.3	1.3	1.4
Washington C H	12.2	11.4	25.8	23.4	2.2	2.0
Wilmington	11.8	11.4	22.6	18.6	1.9	1.7
Total	102.2	98.0	184.1	160.7	16.7	15.8
Central Region						
Circleville	10.7	9.2	19.0	16.5	1.6	1.4
Columbus — Ohio National	526.0	523.6	1,010.9	921.7	99.2	93.1
Columbus — Ohio State	56.0	59.3	111.0	101.6	10.3	10.5
Delaware	26.2	26.6	45.4	41.3	4.0	3.6
Lancaster	21.5	21.5	40.8	37.0	3.5	3.2
London	11.2	10.2	22.9	20.1	1.9	1.7
Marysville	15.8	15.6	27.2	25.8	2.4	2.2
Mount Vernon	13.0	13.3	25.1	22.6	2.6	2.4
Newark	41.2	42.0	75.6	69.0	6.3	5.7
Total	721.6	721.3	1,377.9	1,255.6	131.8	123 8
Southern Region						
Chillicothe	27.0	24.7	58.4	52.3	4.6	4.1
Greenfield	10.1	9.2	19.6	17.8	1.7	1.6
Ironton	17.2	15.3	27.8	25.2	2.0	1.9
Jackson	23.8	21.1	45.4	39.5	4.0	3.6
Logan	14.5	13.8	25.6	22.6	2.5	2.4
Portsmouth	24.3	22.4	43.0	38.9	3.7	3.4
Total	116.9	106.5	219.8	196.3	18.5	17.0
Eastern Region						
Cadiz	11.4	10.4	25.0	22.2	2.0	1.7
Cambridge	23.0	20.0	40.7	35.5	3.6	3.2
Carrollton	12.1	11.4	20.2	17.6	1.9	1.5
Coshocton	31.5	31.4	57.2	51.0	5.0	4.5
Millersburg	11.2	10.4	16.4	15.0	1.6	1.5
New Lexington	10.7	9.9	20.5	18.0	2.0	1.8
New Philadelphia	18.2	19.2	32.7	30.3	2.7	2.6
Zanesville	32.3	29.2	57.8	51.8	5.5	4.9
Total	150.4	141.9	270.5	241.4	24.3	21.7
Northeast Region						
Akron	166.2	175.4	304.4	284.0	24.9	23.8
Chardon*	6.3	—	11.9	—	.9	—
Cleveland	71.6	69.1	115.5	103.6	10.2	9.5
East Palestine	7.8	7.3	13.8	12.8	1.3	1.2
Medina**	11.1	1.5	18.1	2.4	1.8	.9
Niles	18.4	19.5	41.5	38.1	3.8	3.6
Sandusky	32.3	32.0	56.1	52.3	5.2	4.9
Total	313.7	304.8	561.3	493.2	48.1	43.9
Total Banks	$1,462.3	$1,426.1	$2,727.9	$2,450.1	$250.5	$232.4

*1976 acquisition
**1976 includes merger acquisition

Management's Analysis of Operations

Earnings

Consolidated operating earnings (income before securities transactions and effect of change in acccounting method) for 1976 of $22.3 million were $1.7 million below last year's level. On a per share basis, this was equivalent to $3.06 in 1976 and $3.29 in 1975. The decline of 7.1 percent contrasts with the 5.8 percent increase reported for 1975, the highest earnings year in the company's history.

Net income, after securities gains and losses, was $22.4 million or $3.06 per share, compared to $23.7 million or $3.24 per share in 1975.

Dividends of 30 cents per quarter or $1.20 for the year were paid to shareholders in 1976, an increase of 3.9 percent over the $1.15½ per share paid in 1975. This represented a pay out of 39.2 percent of operating earnings and net income. The comparable pay out ratios for 1975 were 35.1 percent and 35.6 percent, respectively.

With the decline in 1976 earnings, two important profitability indicators—return on equity and return on average assets—also showed a decline. BancOhio's return on equity in 1976 was 9.3 percent, down from 10.5 percent in 1975. Return on average assets in 1976 was .64 percent, compared to .78 percent in 1975.

Quarterly operating earnings for the year, as shown in Table 1, reflect the effects of sluggish loan demand particularly in the first half of the year, a continuation of the requirement for abnormally high provisions for loan losses, the adverse effects of inflationary pressures on operating expenses, the impact of the corporate identity program and higher occupancy costs associated with the move to the new Corporate Headquarters in the last half of the year.

In the following sections 1976 operating results are analyzed and the management policies, trends and developments which produced these results are described.

To assist in the analysis of the components affecting the changes in earnings for the past two years, the consolidated statement of income is restated in Table 2, to show interest income on a tax equivalent basis and to show the difference between interest income and interest expense. Other elements of income and expense have been summarized to simplify analysis. The provision for loan losses has been set out separately from other operating expenses.

Table 1
Operating Earnings Comparison by Quarter

	1976		1975		
Quarter	Amount (In Thousands)	Per Share	Amount (In Thousands)	Per Share	Per Share Increase (Decrease)
1st	$ 5,375	$ .74	$ 5,978	$ .82	$(.08)
2nd	6,108	.83	6,402	.87	(.04)
3rd	5,808	.80	5,662	.78	.02
4th	5,056	.69	6,003	.82	(.13)
Total	$22,347	$3.06	$24,045	$3.29	$(.23)

Table 2
Summary Statement of Income

	1976	1975	1974	Increase (Decrease) from Prior Year 1976 Amount	1976 Percent	1975 Amount	1975 Percent
		(in thousands)					
Interest income*	$248,875	$227,286	$227,159	$21,589	9.5%	$ 127	.1%
Interest expense	127,594	110,725	124,500	16,869	15.2	(13,775)	(11.1)
Net interest income*	121,281	116,561	102,659	4,720	4.0	13,902	13.5
Service charges and other operating income	22,575	20,390	18,608	2,185	10.7	1,782	9.6
Adjusted operating income*	143,856	136,951	121,267	6,905	5.0	15,684	12.9
Provision for loan losses	10,809	12,213	7,061	(1,404)	(11.5)	5,152	73.0
Other operating expense	89,799	79,802	71,208	9,997	12.5	8,594	12.1
Income before income taxes*	43,248	44,936	42,998	(1,688)	(3.8)	1,938	4.5
Income taxes	1,684	504	(656)	1,180	234.1	1,160	176.8
Taxable equivalent adjustment	19,217	20,387	20,938	(1,170)	(5.7)	(551)	(2.6)
Taxable equivalent income taxes	20,901	20,891	20,282	10	—	609	3.0
Net operating income	$ 22,347	$ 24,045	$ 22,716	$ (1,698)	(7.1)%	$ 1,329	5.9%

*Tax equivalent basis

Net Interest Income

Net interest income, the difference between interest earned and paid, is BancOhio's major source of operating income. It is determined by the average balances of earning assets, the yields earned thereon, the average balances of interest bearing-liabilities, and the rates paid on such funds.

As shown in Table 3, net interest income increased 4 percent in 1976, to $121.3 million following a 13.5 percent increase in 1975. Continual reductions in interest rates during the year reduced the yield on commercial loans but also reduced the interest rates paid for non-consumer types of deposits and purchased funds. A significant growth in consumer savings provided a base of funds to expand earning assets. Most of the funds provided during the year were invested in short-term government securities and will be available to support future loan demand. This growth was the most important factor contributing to the increase in the amount of net interest income.

Table 3
Net Interest Income

Income from:	1976	1975	1974	Increase (Decrease) from Prior Year 1976 Amount	1976 Percent	1975 Amount	1975 Percent
Loans		(in thousands)					
Commercial	$ 43,840	$ 48,836	$ 61,124	$ (4,996)	(10.2)%	$(12,288)	(20.1)%
Real Estate	33,556	30,511	30,262	3,045	10.0	249	.8
Consumer	56,555	54,085	53,022	2,470	4.6	1,063	2.0
Total loan income	133,951	133,432	144,408	519	.4	(10,976)	(7.6)%
Securities							
Taxable	61,158	37,682	26,405	23,476	62.3	11,277	42.7
Non-taxable*	40,035	42,473	43,621	(2,438)	(5.7)	(1,148)	(2.6)
Total income on securities*	101,193	80,155	70,026	21,038	26.2	10,129	14.5
Other earning assets	13,731	13,699	12,725	32	.2	974	7.7
Total interest income*	248,875	227,286	227,159	21,589	9.5	127	.1
Less interest expense on:							
Interest bearing deposits							
Savings	51,103	42,726	38,996	8,377	19.6	3,730	9.6
Time	50,822	46,940	54,821	3,882	8.3	(7,881)	(14.4)
Total interest on deposits	101,925	89,666	93,817	12,259	13.7	(4,151)	(4.4)
Purchased funds	25,669	21,059	30,683	4,610	21.9	(9,624)	(31.4)
Total interest expense	127,594	110,725	124,500	16,869	15.2	(13,775)	(11.1)
Net interest income*	$121,281	$116,561	$102,659	$ 4,720	4.0%	$ 13,902	13.5%

*Tax equivalent basis

The effects of changes in volumes of earning assets and interest-bearing liabilities, and changes in rates earned and paid, are set forth in Table 4.

Service charges and other Operating Income

Other operating income increased $2,185,000 or 10.7 percent in 1976 following a 9.6 percent increase in 1975. The major factors accounting for this increase were fees from loans, credit card, and trust services. Other components of non-interest income increased in the normal course of business during the past two years as shown in Table 5.

Provision for Loan Losses

During 1976, the Corporation added $10.8 million to the reserve for loan losses. While this was $1.4 million less than the $12.2 million added in 1975, it represented the second highest loan loss provision charged against earnings in the Corporation's history.

Net loan losses over the past three years totaled $29.7 million, more than three times the amount realized in the previous three-year period. However, it is felt that much of this abnormal experience is history and loan losses should decrease in 1977.

The provision charged against earnings was $2.1 million greater than actual net loan losses incurred in 1976. As a result, the reserve for loan losses at year end totaled $15.6 million, an increase of 16.5 percent over year end 1975 and represented 1.01 percent of loans outstanding.

Other Operating Expense

Other operating expenses, excluding the provision for loan loss, increased $10 million or 12.5 percent in 1976. Table 6 compares the more significant operating expenses for 1976, 1975, and 1974.

Table 4
Rate Volume Analysis of Changes in Interest Income and Expense

	1976 vs 1975 Increase (Decrease) In Net Interest Income			1975 vs 1974 Increase (Decrease) In Net Interest Income		
	Volume	Rate	Total	Volume	Rate	Total
		(in thousands)			(in thousands)	
Loans	$ 3,318	$(2,799)	$ 519	$(6,331)	$(4,645)	$(10,976)
Securities						
Taxable	23,330	146	23,476	9,564	1,713	11,277
Non-taxable*	(3,130)	692	(2,438)	(669)	(479)	(1,148)
Other earning assets	1,846	(1,814)	32	4,809	(3,835)	974
Income*	25,364	(3,775)	21,589	7,373	(7,246)	127
Interest-bearing deposits	(13,459)	1,200	(12,259)	(5,694)	9,845	4,151
Purchased funds	(7,090)	2,480	(4,610)	(2,597)	12,221	9,624
Cost	(20,549)	3,680	(16,869)	(8,291)	22,066	13,775
Net interest income*	$ 4,815	$ (95)	$ 4,720	$ (918)	$14,820	$ 13,902

*Tax Equivalent basis

Table 5
Service Charges and Other Operating Income

				Increase (Decrease) over Prior Years			
				1976		1975	
	1976	1975	1974	Amount	Percent	Amount	Percent
		(in thousands)					
Service charges on deposit accounts	$ 5,635	$ 5,453	$ 4,878	$ 182	3.3%	$ 575	11.8%
Loan fees	3,123	2,467	2,069	656	26.6	398	19.2
Trust fees	3,095	2,636	2,393	459	17.4	243	10.2
Equipment leasing	1,644	1,814	1,797	(170)	(9.4)	17	.9
Return check charges	1,971	1,915	1,575	56	2.9	340	21.6
Credit card fees	1,822	1,476	1,262	346	23.4	214	17.0
Miscellaneous	5,285	4,629	4,634	656	14.2	(5)	(.1)
Total	$22,575	$20,390	$18,608	$2,185	10.7%	$1,782	9.6%

Table 6
Other Operating Expenses

				Increase (Decrease) Over Prior Year			
				1976		1975	
	1976	1975	1974	Amount	Percent	Amount	Percent
		(in thousands)					
Salaries and wages	$42,410	$38,122	$34,031	$4,288	11.2%	$4,091	12.0%
Employee benefits	6,637	5,608	4,898	1,029	18.3	710	14.5
Total Salaries, Wages, and Benefits	49,047	43,730	38,929	5,317	12.2	4,801	12.3
Other operating expenses:							
Advertising and promotion	3,355	2,950	2,634	405	13.7	316	12.0
Occupancy	7,663	6,367	5,994	1,296	20.4	373	6.2
Equipment	6,244	5,310	4,209	934	17.6	1,101	26.2
Taxes (other than income)	5,550	4,813	4,462	737	15.3	351	7.9
Stationery and postage	4,835	4,234	4,107	601	14.2	127	3.1
All other	13,105	12,398	10,873	707	5.7	1,525	14.0
Total Other Operating Expenses	40,752	36,072	32,279	4,680	13.0	3,793	11.8
Total	$89,799	$79,802	$71,208	$9,997	12.5%	$8,594	12.1%

Salary and benefit expense, which accounted for 48.8 percent of total 1976 operating expenses, increased by 12.2 percent, compared to a 12.3 percent increase in 1975. The acquisition of two Banks, the opening of seven new banking offices and normal salary increases accounted for the increase in salary expense. Pension and other employee benefits increased $1.03 million dollars as a result of the above personnel cost increases and an improvement in benefits of the BancOhio pension plan.

Increases in occupancy and equipment expense relate primarily to the two Bank acquisitions, increases in real estate tax assessments, the opening of new facilities and a significant increase in the cost of utilities. In June 1976, BancOhio and the headquarters division of its principal subsidiary, BancOhio/Ohio National Bank, moved into the new office towers of BancOhio National Plaza. While a majority of the tenant space of this $39 million complex has been leased, occupancy by outside tenants will not begin until early 1977.

Other unusual operating cost increases were associated with the Corporation's statewide common identity program which required the replacement of signs, stationery and advertising materials, and with the upgrading of computer and data management systems.

As in the past, operating expenses grew as the Corporation's volume of loans and deposits continued to grow. However, certain expense increases were due to programs initiated in 1976 which were specifically designed to stimulate future growth and profitability. The benefits of some of these programs will not be realized until 1977 or 1978.

Provision for Income Taxes

The applicable income tax provisions on operating earnings for years 1973 through 1976 is detailed as follows:

Year	Applicable Income Taxes Current	Deferred	Total
	(in thousands)		
1973	$(2,159)	$4,141	$1,982
1974	(1,768)	1,112	(656)
1975	(15)	519	504
1976	(18)	1,702	1,684

For Federal income tax reporting purposes, the Corporation had significant net operating losses in 1973 and 1974, resulting in a recovery of taxes previously paid. These tax losses, which were significantly less in 1975 and 1976, were the result of permanent tax differences (primarily income from tax-exempt securities) which have exceeded $20 million each year and certain elements of income and expense which are recognized in different periods for income tax reporting purposes (see Note 5 of Notes to Financial Statements).

The Corporation, under normal tax loss carryback provisions of the Internal Revenue Code, no longer has the ability to recover taxes previously paid if a tax loss is realized in the current year. Therefore, certain tax benefits (primarily investment tax credits) were not recognized as a reduction of the provision for income taxes for financial reporting purposes in 1976. In addition, certain items of expense that would normally be recognized for tax purposes have been deferred to future periods when it is expected that taxable income will be greater.

Income tax expense represented 7.0 percent of pre-tax income in 1976 compared to 0.7 percent in 1975. The increase in tax rate reflects the exclusion of investment tax credits from the 1976 tax provision and the decrease in municipal securities carried in the investment portfolio.

Securities Transactions

Securities transactions for the year resulted in net gains of $19,000 on an after tax basis, compared to a loss of $371,000 in 1975. Sales of securities in 1976 and 1975 were planned to produce increased future earnings by reinvesting the proceeds in higher yielding securities.

The Corporation's Asset and Liability Management Committee is comprised of top corporate management and representatives of affiliate Banks. This committee meets monthly to formulate the general policies and courses of action relating to the determination of interest rates and to the investment and acquisition of funds. Its decisions are predicated upon the Corporation's current position, the expected economic environment and the various markets in which the Corporation operates.

The primary purpose of this committee is to balance the inherent banking risks with profit opportunities to enhance current and future corporate profitability. The principal risks that must be considered in determining asset and liability policies are credit risks, interest rate risks and liquidity risks. Credit risk is the probability of full realization of an asset at its maturity. Interest rate risk is the probability that earnings can be affected by changes in interest rate levels. Liquidity risk is the probability that current or future assets will have to be funded through the liquidation of other assets or the acquisition of additional funds at an unfavorable cost.

In 1976, average earning assets increased $387.1 million or 14.6 percent over 1975. This increase was in line with the policies established by the Asset and Liability Management Committee to continue to stimulate deposit growth. The following section discusses the results of the Corporation's asset and liability management as it relates to asset growth, interest sensitivity, and liquidity requirements.

Earning Assets

A major contribution to the increase in net interest income over the past two years has been a strong growth in average earning assets. Table 7 shows the changes in average outstandings and rates earned on earning assets over the past three years.

Table 7
Earning Assets

	Average Outstanding			Percent of Change From Prior Year		Average Rate		
	1976	1975	1974	1976	1975	1976	1975	1974
		(in thousands)						
Loans								
Commercial	$ 552,197	$ 563,170	$ 624,460	(1.9)%	(9.8)%	7.94%	8.67%	9.79%
Real estate	430,795	403,272	407,175	6.8	(1.0)	7.79	7.57	7.43
Consumer (net of unearned income)	479,411	459,734	462,209	4.3	(.5)	11.80	11.76	11.47
Total	1,462,403	1,426,176	1,493,844	2.5	(4.5)	9.16	9.36	9.67
Securities								
U.S. government	867,312	508,502	358,576	70.6	41.8	6.54	6.53	6.07
States and municipals	427,955	461,415	468,687	(7.3)	(1.6)	9.35*	9.20*	9.31*
Other	66,384	69,016	72,364	(3.8)	(4.6)	6.73	6.49	6.43
Total	1,361,651	1,038,933	899,627	31.1	15.5	7.43*	7.72*	7.78*
Money market instruments								
Time deposits with other banks	149,526	129,298	1,158	15.6	—	7.13	8.07	8.29
Funds sold	59,573	51,683	116,291	15.3	(55.6)	5.16	6.32	10.86
Total	209,099	180,981	117,449	15.5	54.1	6.57	7.57	10.83
Total Earning Assets	3,033,153	2,646,090	2,510,920	14.6	5.4	8.21*	8.59*	9.05*
Cash and due from banks	334,391	310,118	315,793	7.8	(1.8)	—	—	—
Other assets	128,711	111,705	85,613	15.2	30.5	—	—	—
Total Assets	$3,496,255	$3,067,913	$2,912,326	14.0%	5.3%	7.12%*	7.41%*	7.80%*

*Tax equivalent basis

Loans

Throughout most of 1975 and 1976, many of the nation's commercial banks were confronted with lower demand for business loans. Businesses, recovering from the recession of 1974-75, maintained higher than normal liquidity levels and remained largely conservative in committing for short-term financing. It wasn't until the fourth quarter of 1976 that BancOhio's average commercial loans outstanding began to approach 1975's levels.

In contrast to the sluggish demand for business loans, BancOhio in the second half of 1976 experienced improved consumer lending demands as consumer confidence and spending returned from the doldrums of 1975. Both residential mortgage loans and consumer installment loans outstanding achieved record high levels with increases in average outstandings of 6.8 percent and 4.3 percent, respectively.

At year end 1976, total loans were up 9.0 percent to $1.5 billion from $1.4 billion at year end 1975. Of this increase, $52 million was from real estate loans (primarily single-family residential) and $42 million was from consumer loans.

The overall interest yield on loans decreased in 1976 as the rate charged to prime commercial and business borrowers dropped throughout the country. The yield on consumer loans increased slightly, reflecting improvements in pricing policies. While residential mortgage rates were lower in 1976 than in 1975, current rates were still higher than the average yield of all loans in the real estate portfolio.

Table 8 shows the classification of consolidated loans at the end of the last two years by categories primarily used for regulatory reporting purposes.

Table 9 shows the remaining maturities of loans, other than consumer and residential mortgage, at December 31, 1976.

Table 8
Classification of Loan Portfolio

	December 31, 1976	December 31, 1975
	(in thousands)	
Real estate loans:		
Construction and land development	$ 34,818	$ 23,399
Secured by 1-4 family residential properties	341,524	297,700
Other real estate loans	133,755	135,035
Loans to financial institutions:		
Real estate investment trusts and mortgage companies	14,143	12,242
Other depository institutions	2,640	1,815
Other financial institutions	3,219	5,872
Loans for purchasing or carrying securities	5,734	5,063
Agricultural loans	19,601	15,810
Commercial and industrial loans	441,717	406,977
Loans to individuals for household, family, and other personal expenditures	599,812	558,713
All other loans	24,657	23,433
Sub-total	1,621,620	1,486,059
Less: Unearned discount	72,176	64,213
Reserve for loan losses	15,573	13,362
Total	$1,533,871	$1,408,484

Table 9
Maturities of Loan Portfolio

	Within 1 Year	After 1 Thru 5 Years	Over 5 Years	Total
		(in thousands)		
Real estate loans:				
Construction and land development	$ 22,748	$ 10,880	$ 1,190	$ 34,818
Other real estate loans	8,456	25,031	100,268	133,755
Loans to financial institutions:				
Real estate investment trusts and mortgage companies	11,861	2,282	—	14,143
Other depository institutions	2,390	250	—	2,640
Other financial institutions	3,219	—	—	3,219
Loans for purchasing or carrying securities	5,734	—	—	5,734
Agricultural loans	15,951	3,437	213	19,601
Commercial and industrial loans	301,554	121,945	18,218	441,717
All other loans	17,077	7,023	557	24,657
Total	$388,990	$170,848	$120,446	$680,284
With fixed interest rates		$103,893	$112,237	
With variable interest rates		$ 66,955	$ 8,209	

Investment Securities

During 1976 the Corporation achieved a substantial degree of liquidity due to a significant growth in deposits combined with a lesser increase in outstanding loans. As a result, investment securities increased by 31.1 percent to an average of $1.4 billion. In addition to investing most of the funds from deposits in securities, management continued the program initiated in 1975 of acquiring short-term U.S. Government securities and certificates of deposit of other banks at attractive yields, financed by short-term purchased funds.

The restructuring of the investment portfolio, also begun in 1975, was continued throughout the year with the liquidation of low yielding intermediate and long-term U.S. Government and Agency securities and corporate bonds. These securities were replaced with appropriate amounts of higher yielding instruments.

The maturity distribution and weighted average interest rates of investment securities and interest-bearing deposits with banks at December 31, 1976, is shown in Table 10.

A comparison of average maturities of investment securities and interest-bearing deposits with banks at December 31, 1976 and 1975 is shown in Table 11.

Table 10
Maturity Distribution of Investment Portfolio

	Within 1 Year		After 1 But Within 5 Years		After 5 But Within 10 Years		After 10 But Within 20 Years		After 20 Years	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
					(dollars in thousands)					
Securities:										
U.S. Treasury Securities	$208,271	6.6%	$469,958	6.5%	$ 61,392	6.7%	$ –	– %	$ 5,172	4.1%
Obligations of other U.S. Government Agencies	11,847	5.8	17,585	6.6	6,502	4.8	11,195	7.3	38,628	8.3
Obligations of states and political subdivisions	9,841	9.6	38,592	8.7	127,222	9.3	203,468	10.0	39,739	10.3
Other securities	6,284	4.5	39,627	6.5	25	7.6	928	6.0	15,405	7.1
Total Securities	236,243	6.6	565,762	6.7	195,141	8.3	215,591	9.8	98,944	8.7
Interest bearing deposits with banks	115,636	6.5	39,622	6.7	–	–	–	–	–	–
Total	$351,879	6.6%	$605,384	6.7%	$195,141	8.3%	$215,591	9.8%	$98,944	8.7%

Rates expressed on a tax equivalent basis

Table 11
Comparison of Investment Portfolio Maturities

Securities:	1976	1975
U.S. Treasury securities	2 yrs., 2 mos.	2 yrs., 11 mos.
Obligations of other U.S. Government agencies	16 yrs., 9 mos.	9 yrs., 11 mos.
Obligations of states and political subdivisions	12 yrs., 4 mos.	12 yrs., 3 mos.
Other securities	8 yrs., 6 mos.	9 yrs., 1 mos.
Total securities	6 yrs., 8 mos.	7 yrs., 3 mos.
Interest bearing deposits with banks	— , 8 mos.	— , 3 mos.
Total	6 yrs., 0 mos.	6 yrs., 2 mos.

Sources of Funds

Table 12 shows average outstanding levels and interest rates of deposits and purchased funds for the past three years.

Table 12
Sources of Funds

	Average Outstanding			Percent of Change From Prior Year		Average Rate		
	1976	1975	1974	1976	1975	1976	1975	1976
		(in thousands)						
Time deposits								
Savings deposits	$1,020,524	$ 861,146	$ 783,977	18.5%	9.8%	5.01%	4.96%	4.97%
Other time deposits	807,786	725,742	702,139	11.3	3.4	6.29	6.47	7.81
Total	1,828,310	1,586,888	1,486,116	15.2	6.8	5.57	5.65	6.31
Purchased funds	458,923	329,757	286,006	39.2	15.3	5.06	5.84	10.10
Long-term debt	31,208	25,000	25,000	24.8	—	7.88	7.16	7.16
Total	490,131	354,757	311,006	38.2	14.1	5.24	5.94	9.87
Total interest bearing liabilities	2,318,441	1,941,645	1,797,122	19.4	8.0	5.50	5.70	6.93
Demand deposits	898,719	862,744	875,077	4.2	(1.4)	—	—	—
Other liabilities	43,294	43,668	43,097	(.9)	1.3	—	—	—
Shareholders' equity	235,801	219,856	197,030	7.3	11.6	—	—	—
Total liabilities and equity	$3,496,255	$3,067,913	$2,912,326	14.0%	5.3%	3.65%	3.61%	4.27%

Deposits

Total deposits, the primary source of asset expansion, increased 11.3 percent in 1976 compared to 3.7 percent in 1975, and 4.1 percent in 1974. While demand deposits grew by 4.2 percent in 1976, the most significant increase in deposits was in the area of savings deposits (primarily consumer) which increased 18.5 percent during the year. Consumer certificates of deposit (included in other time deposits), increased 17.6 percent. Certificates of deposit over $100,000 and public funds increased by a modest 3.4 percent in 1976.

The growth in consumer savings and time deposits is attributable in large part to a corporate-wide promotional program initiated late in the first quarter. The program was designed to generate these deposits at a time when consumers throughout the country were saving at record levels.

Some of these deposits were used to fund the growth in real estate and consumer lending experienced during 1976. The remainder will provide a stable base of funds for future loan growth.

Purchased Funds

As a result of the sluggish loan demand experienced by the nation's commercial banks, the Corporation since early 1975 has followed a program of utilizing short-term, interest-sensitive purchased funds to support the acquisition of higher-yielding U.S. Government securities and certificates of deposit of other banks. These assets are purchased with maturities appropriate to the liability structure and liquidity requirements of the BancOhio Banks.

Average short-term purchased funds increased $129 million or 39.2 percent in 1976. Lower interest rates partially offset the increase in the volume of these funds with the net result being a 20.5 percent increase in interest paid for purchased funds.

At the end of the year, the Corporation also had other outstanding debts totaling $33 million, consisting of $25 million of 7% Notes due in 1979 and an $8 million, 10% mortgage note payable through 2002.

Throughout 1975 and 1976 the banking industry has had considerable attention focused on policies relating to the accrual of interest on loans and the basis for the determination of loan loss reserves. Potential losses from loans to real estate investment trusts and loans for real estate construction and development have been under particular scrutiny by regulatory agencies, the accounting profession and the business press. Therefore it is appropriate to present a brief discussion of BancOhio's policies, procedures and historical results in the credit risk management of its business.

General Credit Policies

Management of the loan portfolio entails pricing of loans to cover the risk element inherent in each loan, as well as covering operating costs and a profit margin. While no loan is ever made with the expectation that it will default, some losses must reasonably be anticipated. Therefore, management must determine that the risk factor is adequately covered by the pricing structure to ensure profitability from its lending operations.

BancOhio's risk management process begins with the appraisal of each new loan application received by the originating Bank. Standard application forms are used by each Bank and standardized review procedures ensure initial risk evaluation at the lowest level of approval. Approval limits ensure that all significant exposures are reviewed by senior credit officers at each Bank. In addition, each Bank has established credit approval limits with major loans requiring approval by the BancOhio Credit Committee.

An important aspect of the Corporation's credit management is the ongoing review of the total loan portfolio carried out independently by the Corporation's Audit Department. Major problem loans are continually reviewed by senior management to determine the status and prospects of collection. When there is sufficient doubt about the borrower's ability to pay interest or principal on a loan, the accrual of interest is discontinued and all current year interest accrued but unpaid is reversed against income to avoid overstatement of earnings. These loans are commonly referred to as "non-accrual" loans. Certain loans are renegotiated as to term of rate because of a deterioration in the financial position of the borrower. These loans are referred to as "renegotiated" loans and interest is recorded in income either at the renegotiated rate or as collected.

Reserve For Loan Losses

The provision for loan losses is primarily the result of senior management's continuous review of problem loans, supplemented by historical net charge-off experience. The objective of the problem loan review is to determine that specific identifiable exposure is adequately covered in the loan loss reserve. In addition, analytical review of loan loss experience enables management to determine the probability of loss that will occur in that portion of the portfolio that does not lend itself to specific review. This approach, supplemented by regular examinations and appraisals of loan portfolios of affiliates conducted by the Corporation's credit and audit departments and regulatory authorities, results in the maintenance of a reserve at a level adequate to provide for potential loan losses.

In 1976, the amount provided for loan losses exceeded actual net charge-offs by $2,125,000, whereas in 1975 the amount provided approximated the net loans charged off.

The historical relationship between consolidated loans, loan losses and recoveries, provision for loan losses and the reserve for loan losses is shown in Table 13.

Table 13
Comparative Loan Loss Data

	Year Ended December 31,		
	1976	1975	1974
		(in thousands)	
Loan losses	$ 11,703	$ 15,485	$ 10,873
Less recoveries on loans previously charged off	3,019	3,226	2,122
Net loan losses	$ 8,684	$ 12,259	$ 8,751
Provision for loan losses	$ 10,809	$ 12,213	$ 7,061
Reserve for loan losses at the end of the period	$ 15,573	$ 13,362	$ 13,408
Average loans	$1,462,403	$1,426,176	$1,493,844
Total loans at the end of the period	$1,549,444	$1,421,846	$1,485,394
As a percent of average loans			
Net loan losses	.59%	.86%	.59%
Provision for loan losses	.74%	.86%	.47%
Reserve for loan losses	1.06%	.94%	.90%
Reserve as a percent of total loans at the end of the period	1.01%	.94%	.90%
As a multiple of net loan losses			
Reserve for loan losses	1.8 x	1.1 x	1.5 x
Adjusted income (1)	4.0 x	3.0 x	3.3 x

(1) Income before income taxes, securities transactions and provision for loan losses.

The Corporation apportioned the reserve for loan losses among the listed categories of loans at December 31, 1976, as shown in Table 14.

The $6.1 million allocated to commercial loans was based on an in-depth review of the portfolio, with special attention given to the $19.8 million of non-accrual loans. This review process indicated that the amount allocated should be adequate to cover potential losses from these loans.

The amount allocated to the real estate loan portfolio ($500,000) is approximately twice the amount of net losses realized over the past three years. Over 75 percent of the real estate portfolio is comprised of residential mortgage loans with the balance relating to long-term commercial mortgages. Short-term real estate construction loans are included in the commercial and industrial portfolio.

The $5.6 million of reserve allocated to the consumer loan portfolio is an arbitrary amount based on historical data and represents approximately twice the amount of net losses realized in 1976. The Corporation's policy is to provide for consumer loan losses on a current basis by charging off loans that are four payments past due.

The unallocated portion ($3.4 million) is an amount available to absorb charge-offs that may occur from the current portfolio above and beyond the amount indicated by historical data and current knowledge.

Table 14
Allocation of Reserve for Loan Losses

	December 31, 1976	
	Allocated Amount (in thousands)	Allocated amount as a percent of outstanding loans by category
Commercial and industrial (1)	$ 6,100	1.06%
Real Estate	500	.11
Consumer loans	5,600	1.09
Unallocated portion	3,400	—
Total	$15,600	1.01%

(1) Includes loans to real estate investment trusts (REIT's) and for construction and land development.

Charge-off Policies

BancOhio affiliates follow the policy of charging off loans which are classified as "loss" by the Corporation's credit and audit departments, by management, or by regulatory examiners. The Corporation also follows the policy of charging off monthly all consumer loans which have become four payments past due on a contractual basis. Real estate mortgages are generally charged off upon the completion of foreclosure proceedings.

Table 15 shows the amount of loan charge offs and recoveries by type of loan for the three years ended December 31, 1976.

Table 15
Comparison of Loan Charge-offs and Recoveries

	Year Ended December 31,		
	1976	1975	1974
		(in thousands)	
Loan charge offs			
Commercial & industrial (1)	$ 5,927	$ 8,178	$ 4,398
Real estate	108	74	141
Consumer	5,668	7,233	6,334
Total	11,703	15,485	10,873
Recoveries:			
Commercial & industrial (1)	441	497	383
Real Estate	19	21	28
Consumer	2,559	2,708	1,711
Total	3,019	3,226	2,122
Net loan losses	$ 8,684	$12,259	$ 8,751
Net loan losses by category as percentage of average loans:			
Commercial & industrial (1)	.99%	1.36%	.64%
Real estate	.02%	.01%	.03%
Consumer	.65%	.98%	1.00%

(1) Includes loans to real estate investment trusts (REIT's) and for construction and land development.

Income Recognition Policies

The Corporation primarily recognizes income on the accrual basis of accounting. When management has determined that collection of a commercial loan is doubtful, either principal or interest, the accrual of income is discontinued. On these non-accrual loans, interest is recognized only when cash is received. Accrual of interest on installment loans is suspended at 120 days past due, which corresponds with the write-off, and on real estate mortgages upon the initiation of foreclosure proceedings. Where interest is being charged at reduced rates such interest is accrued at the lower rate. When a loan is placed on a cash basis, any interest accrued in the current year but not yet collected is reversed against current income. Any subsequent interest on such loans is recorded as interest income only when received. A loan is restored to accrual status when, in the opinion of management, the borrower's financial condition indicates the ability to make future payments of interest as scheduled.

Delinquent, Non-Accrual and Renegotiated Loans

The Corporation and its subsidiaries generally consider loans as delinquent if payments of principal or interest have not been made by the end of periods ranging from 30 to 60 days after the date of scheduled payment. The actual number of days that may elapse before classifying a loan as delinquent depends on the type of loan.

Table 16 presents information on loans past due 60 days or more at December 31, 1976, and 1975.

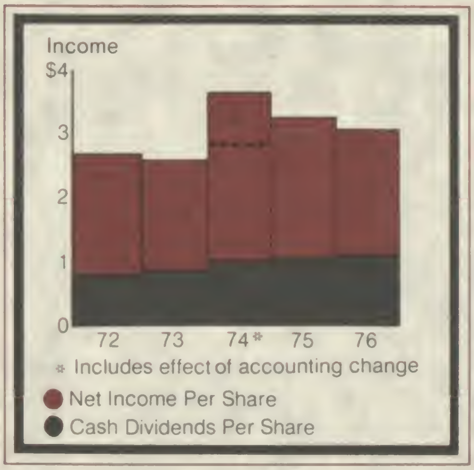
Table 16
Comparison of Past Due Loans

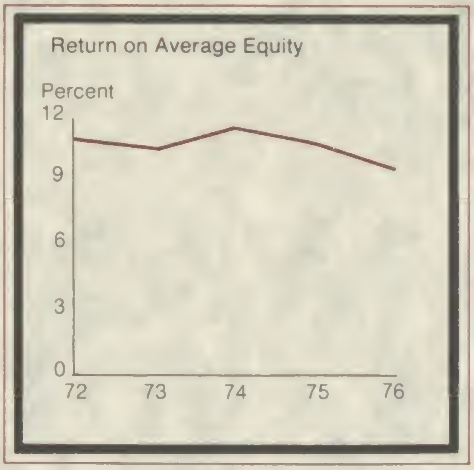
	60 days or more past due (1)	Gross Loans Outstanding	Gross Loans Percentage 60 days or more past due
	(in thousands)		
December 31, 1976:			
Commercial and industrial	$23,634	$ 576,166	4.1%
Real estate	11,904	460,121	2.6
Consumer	12,300	513,157	2.4
Total	$47,838	$1,549,444	3.1%
December 31, 1975:			
Commercial and industrial	$27,539	$ 543,291	5.1%
Real estate	11,296	407,859	2.8
Consumer	12,709	470,695	2.7
Total	$51,544	$1,421,845	3.6%

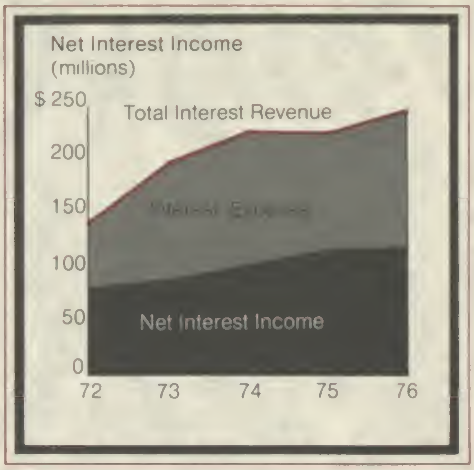
(1) Includes loans aggregating $19,829,000 and $25,572,000 at December 31, 1976 and 1975 respectively, on non-accrual basis.

The total of non-accrual and renegotiated loans at December 31, 1976 was $22,191,000, or approximately 1.4% of total loans. At December 31, 1975 the total of such loans outstanding was $25,751,000 or approximately 1.8% of total loans. The difference between the interest that would have been accrued at the original contract rate on these non-accrual and renegotiated loans and that which was actually earned was equivalent to approximately $1,000,000 after taxes for 1976 and approximately $900,000 for 1975 or $.14 per share and $.12 per share, respectively.

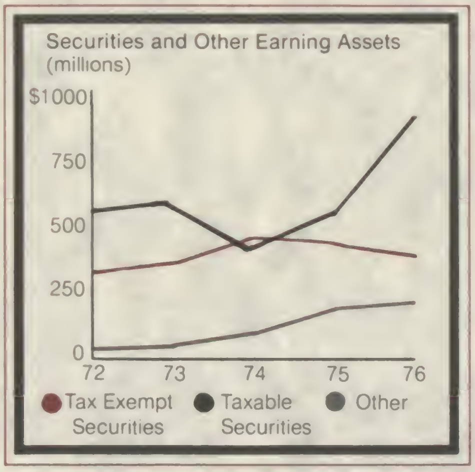
Between December 31, 1975, and December 31, 1976, the total of non-accrual and renegotiated loans declined by $3,560,000.

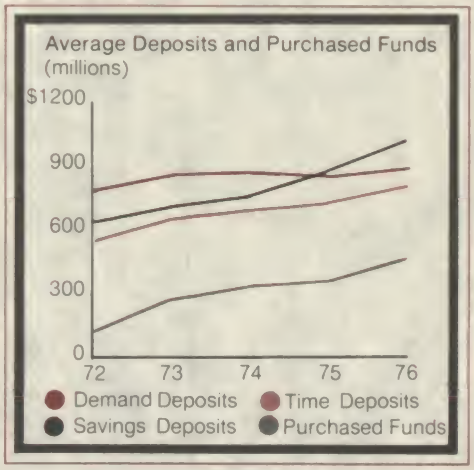

Income
$4
3
2
1
0
72
73
74*
75
76
* Includes effect of accounting change
Net Income Per Share
Cash Dividends Per Share

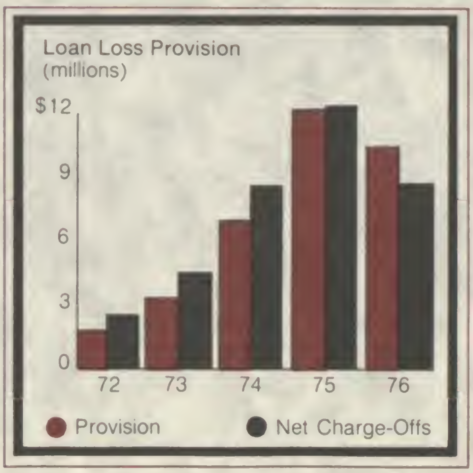

Return on Average Equity
Percent
12
9
6
3
0
72
73
74
75
76

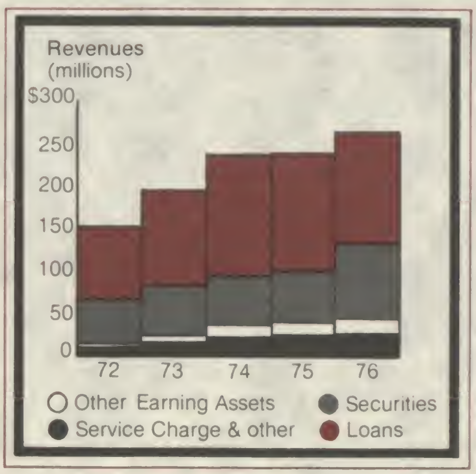

Net Interest Income
(millions)
$ 250
200
150
100
50
0
Total Interest Revenue
Net Interest Income
72
73
74
75
76

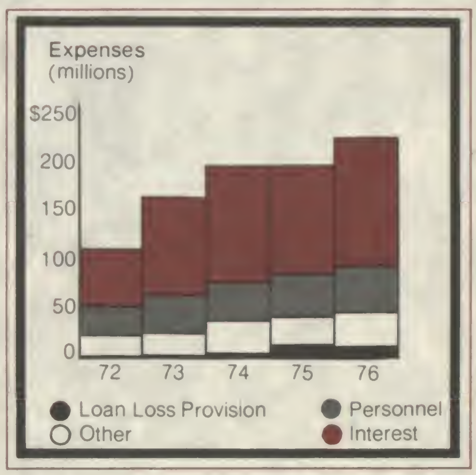

Loans
(millions)
$800
600
400
200
0
72
73
74
75
76
Commercial
Real Estate
Consumer


Securities and Other Earning Assets
(millions)
$1000
750
500
250
0
72
73
74
75
76
Tax Exempt Securities
Taxable Securities
Other


Average Deposits and Purchased Funds
(millions)
$1200
900
600
300
0
72
73
74
75
76
Demand Deposits
Time Deposits
Savings Deposits
Purchased Funds


Loan Loss Provision
(millions)
$12
9
6
3
0
72
73
74
75
76
Provision
Net Charge-Offs


Revenues
(millions)
$300
250
200
150
100
50
0
72
73
74
75
76
Other Earning Assets
Securities
Service Charge & other
Loans


Expenses
(millions)
$250
200
150
100
50
0
72
73
74
75
76
Loan Loss Provision
Personnel
Other
Interest

Summary of Significant Accounting and Reporting Policies

Basis of Presentation

The consolidated financial statements include the accounts of BancOhio Corporation and its affiliated banking and non-banking subsidiaries. All significant intercompany transactions have been eliminated.

Business combinations recorded as purchase transactions are included from the respective dates of acquisition. The excess of the purchase price over the fair value of the net assets so acquired is amortized over the periods estimated to be benefited on a straight-line basis not exceeding forty years and is included in other assets.

All significant business combinations recorded as poolings of interests are included for all periods presented.

Securities

Securities are carried in the consolidated balance sheet at cost, adjusted for amortization of premiums and accretion of bond discount. This basis results in recording income on securities at the effective yield over the remaining life of the securities.

Reserve for Loan Losses

The provision for loan losses included in operating expenses is primarily the result of senior management's continuous review of problem loans, supplemented by historical net charge-off experience. These provisions, less net charge-offs, comprise the loan loss reserve. In management's judgment, the loan loss reserve is maintained at a level adequate to provide for potential loan losses.

Banking Premises and Equipment

Banking premises and equipment are stated at cost less accumulated depreciation. Depreciation charged to operating expense is computed primarily using the straight-line method over the estimated useful lives of the assets.

Income Taxes

The Corporation and its subsidiaries file a consolidated Federal income tax return.

There are certain income and expense amounts in the financial statements that are recognized in different time periods for income tax purposes (see Note 5 of Notes to Financial Statements). The principal items are the provision for loan losses, lease financing and depreciation on banking premises and equipment. Appropriate provisions for deferred income taxes are made in recognition of such timing differences.

The investment tax credit on direct lease financing transactions is deferred and amortized to income over the investment recovery period. For other property, the investment credit is accounted for as a reduction of the provision for income taxes on the flow through method.

Interest Income, Interest Expense and Trust Income

Interest income on commercial and real estate mortgage loans is based on the principal amount outstanding. Interest income on installment loans is recognized generally on the "Rule of 78's" method (sum-of-the-months digits). For commercial loans, where in the opinion of management collection of interest is doubtful, interest is recorded on a cash basis.

Income on direct financing leases is recognized on a basis to achieve a level rate of return on the net lease investment over the investment recovery period. The estimated residual value of leased property (which does not exceed 10 percent of original cost at initiation of the lease) is recognized over the life of the related leases.

Other interest income and interest expense are accrued using various methods which approximate a level yield on principal amounts outstanding.

Trust income is generally reported on a cash basis, which approximates accrual basis.

Pension Plan

The Corporation has a trusteed, noncontributory pension plan covering substantially all full-time salaried employees of the Corporation and its affiliates.

The provision for pension expense represents normal and prior service cost as computed under accepted actuarial cost methods and assumptions, and is funded as accrued.

Consolidated Balance Sheet

	December 31 1976	December 31 1975
Assets		
Cash and due from banks	$ 329,591,954	$ 324,393,839
Money market instruments:		
Interest bearing deposits with banks	155,258,262	206,809,203
Funds sold	103,762,687	21,650,000
Total money market instruments	259,020,949	228,459,203
Securities (Note 2):		
U.S. Treasury securities	744,792,666	572,113,345
Obligations of other U.S. Government agencies	85,756,944	41,157,922
Obligations of states and political subdivisions	418,861,880	447,080,850
Other securities	62,269,535	60,889,916
Total securities	1,311,681,025	1,121,242,033
Loans:		
Commercial	576,165,551	543,291,460
Real estate	460,120,860	407,859,207
Consumer (less unearned income of $72,175,783 in 1976 and $64,213,270 in 1975)	513,157,343	470,694,769
Total loans	1,549,443,754	1,421,845,436
Less reserve for loan losses (Note 3)	15,573,100	13,361,769
Loans-net	1,533,870,654	1,408,483,667
Direct lease financing (less unearned income of $3,544,581 in 1976 and $3,516,997 in 1975)	20,836,072	20,162,154
Banking premises and equipment—Less accumulated depreciation (Note 4)	92,762,546	73,612,172
Interest receivable	30,366,467	27,750,417
Other assets	17,484,477	11,435,055
Total	$3,595,614,144	$3,215,538,540
Liabilities and Shareholders' Equity		
Deposits:		
Demand	$ 990,797,934	$ 942,068,131
Savings	1,089,787,307	913,558,910
Time	867,116,264	801,083,023
Total savings and time	1,956,903,571	1,714,641,933
Total deposits	2,947,701,505	2,656,710,064
Funds purchased	318,501,329	253,006,427
Other liabilities (Notes 3 and 5)	54,878,779	52,885,533
Long-term debt (Note 6)	33,000,000	25,000,000
Total liabilities	3,354,081,613	2,987,602,024
Shareholders' Equity:		
Capital Stock:		
Preferred stock – $25.00 par value; 800,000 shares authorized but unissued		
Common stock – $6.66 2/3 par value; authorized 10,000,000 shares, outstanding 7,308,628 shares,	48,724,209	48,724,209
Capital surplus	87,133,574	87,133,574
Retained earnings	105,674,748	92,078,733
Total shareholders' equity	241,532,531	227,936,516
Total	$3,595,614,144	$3,215,538,540

See Notes to Financial Statements

Consolidated Statement of Income

	Year Ended December 31, 1976	1975
Operating Income:		
Interest on loans	$133,951,313	$133,432,034
Interest on deposits with banks	10,659,378	10,354,376
Income on funds sold	3,071,977	3,345,370
Interest and dividends on:		
U.S. Treasury securities	53,090,582	30,241,131
Obligations of other U.S. government agencies	3,597,699	2,962,565
Obligations of states and political subdivisions	20,817,911	22,086,441
Other securities	4,469,623	4,477,519
Service charges on deposit accounts	5,635,387	5,452,660
Other operating income	16,938,937	14,937,191
Total operating income	252,232,807	227,289,287
Cost of Money:		
Interest on deposits	101,925,375	89,665,502
Interest on funds purchased	23,210,945	19,268,402
Interest on long-term debt (Note 6)	2,457,499	1,790,833
Total cost of money	127,593,819	110,724,737
Operating Expenses:		
Salaries and wages	42,409,758	38,122,344
Pensions and other employee benefits	6,637,182	5,607,205
Occupancy expense	7,662,407	6,367,087
Other operating expenses	27,539,235	24,892,944
Provision for loan losses (Note 3)	10,809,160	12,212,548
Taxes other than income taxes	5,549,895	4,813,480
Total operating expenses	100,607,637	92,015,608
Total expenses	228,201,456	202,740,345
Income before income taxes and securities gains (losses)	24,031,351	24,548,942
Applicable income taxes (Note 5)	1,684,232	504,414
Income before securities gains (losses)	22,347,119	24,044,528
Securities gains (losses) – Less related income taxes (credits) of $18,000 in 1976 and $(342,000) in 1975	19,250	(370,798)
Net Income	$ 22,366,369	$ 23,673,730
Average Shares Outstanding	7,308,628	7,308,628
Earnings Per Common Share:		
Income before securities gains (losses)	$3.06	$3.29
Securities gains (losses)	–	(.05)
Net income	$3.06	$3.24

See Notes to Financial Statements

Consolidated Statement of Retained Earnings

	Year Ended December 31, 1976	1975
Balance, Beginning of Year	$ 92,078,733	$76,846,468
Net income	22,366,369	23,673,730
Cash dividends paid – ($1.20 per share in 1976 and $1.15½ in 1975)	(8,770,354)	(8,441,465)
Balance, End of Year	$105,674,748	$92,078,733

See Notes to Financial Statements

Consolidated Statement of Changes in Financial Position

	Year Ended December 31, 1976	1975
Source of Funds:		
Net income	$ 22,366,369	$ 23,673,730
Non-cash charges to income–net	16,236,796	15,732,656
Funds provided from operations	38,603,165	39,406,386
Increase in deposits	253,227,441	242,624,654
Increase in funds purchased	65,494,902	5,095,903
Increase in long-term debt	8,000,000	–
Decrease in loans	–	51,289,276
Other	–	3,839,455
Total	365,325,508	342,255,674
Application of Funds:		
Increase in securities	180,370,992	297,497,067
Increase in loans	112,506,227	–
Increase in money market investments	27,061,746	24,787,879
Additions to banking premises and equipment	21,892,778	18,175,397
Cash dividends paid	8,770,354	8,441,465
Purchase of affiliate banks	3,975,000	–
Other	7,818,613	–
Total	362,395,710	348,901,808
Increase (decrease) in cash and due from banks	$ 2,929,798	$ (6,646,134)

See Notes to Financial Statements

1. Acquisitions

In April 1976, BancOhio purchased all the capital stock of the Medina County Bank, Lodi, and The Geauga County National Bank, Chardon, for $2,100,000 and $1,875,000 in cash, respectively. The Medina County Bank was merged into the Corporation's affiliate Bank headquartered in Medina, Ohio. Results of operations are included in the financial statements since the respective dates of acquisition. The excess of cost over equity in the net assets acquired of $1,300,865 is being amortized over forty years. Had these acquisitions been included, on a proforma basis, as if acquired at the beginning of 1975, the effect on total operating income and net income would not have been significant.

2. Securities

The estimated market values of securities at December 31, 1976 and 1975, are summarized as follows:

	1976	1975
U.S. Treasury securities	$ 756,537,000	$ 562,797,000
Obligations of other U.S. Government agencies	87,142,000	38,177,000
Obligations of states and political subdivisions	406,063,000	395,929,000
Other securities	61,351,000	56,733,000
Total	$1,311,093,000	$1,053,636,000

At December 31, 1976 and 1975, securities carried at $503,859,000 and $525,021,000, respectively, were pledged to secure public deposits and for other purposes, as required by law. At December 31, 1976, obligations of states and political subdivisions include $1,892,000 at amortized book value ($1,693,000 market value) of New York City general obligation bonds.

3. Reserve for Loan Losses

Transactions in the reserve for loan losses for the years ended December 31, 1976 and 1975, are summarized below:

	1976	1975
Balance, beginning of year	$13,361,769	$13,408,215
Add:		
Incident to acquisition of non-pooled banks	86,081	
Provision charged to operating expense	10,809,160	12,212,548
Deduct:		
Losses charged to reserve	11,702,968	15,484,662
Less recoveries	3,019,058	3,225,668
Net loan losses	8,683,910	12,258,994
Balance, end of year	$15,573,100	$13,361,769

At December 31, 1976 and 1975, the cumulative provisions for loan losses for income tax purposes exceeded the cumulative provisions for financial reporting purposes by $9,300,000 and $10,629,000, respectively. Deferred income taxes applicable thereto, amounting to $4,464,000 at December 31, 1976, and $5,102,000 at December 31, 1975, are included in other liabilities in the consolidated balance sheet.

4. Banking Premises and Equipment

The major categories of banking premises and equipment and accumulated depreciation at December 31, 1976 and 1975 are summarized as follows:

	1976	1975
Land	$15,903,996	$15,883,916
Buildings and improvements	63,948,684	46,308,663
Equipment	26,626,409	20,207,743
Construction in progress (Note 8)	14,734,487	16,477,395
Total	121,213,576	98,877,717
Less accumulated depreciation	28,451,030	25,265,545
Banking premises and equipment – net	$92,762,546	$73,612,172
Depreciation expense for the year	$ 3,743,404	$ 2,907,050

The Corporation and its subsidiaries have entered into non-cancellable lease agreements with respect to certain bank premises and equipment. The minimum annual rental commitment under these leases, exclusive of taxes and other charges payable by the lessees, is 1977–$3,403,000, 1978–$2,842,000, 1979–$1,417,000, 1980–$1,078,000, 1981 – $927,000, 1982-86 – $4,025,000, 1987-91 – $2,767,000, 1992-96 – $1,182,000, with $156,000 of commitments extending beyond 1996.

Total rental expense for the years ended December 31, 1976 and 1975, including cancellable and non-cancellable leases, was approximately $4,780,000 and $3,875,000, respectively.

5. Federal Income Taxes

The income tax provision includes deferred taxes amounting to $1,702,000 at December 31, 1976, and $519,000 at December 31, 1975.

Deferred income taxes result from accounting for certain income and expense items in different time periods for financial statement purposes than for income tax purposes. The source of these differences arising in 1976 and 1975 and the tax effect of each are summarized below:

	1976	1975
	(dollars in thousands)	
Income on direct and leveraged lease financing	$1,419	$1,587
Accretion and uncollected discount	555	225
Loan loss provision	(638)	(611)
Accelerated depreciation	480	480
Cumulative effect of accounting change	(544)	(606)
Investment tax credit carryforward	–	(612)
Other – net	430	56
Total	$1,702	$ 519

A reconciliation between the amount of reported income tax expense and the amount computed by multiplying income before taxes by the statutory Federal income tax rate is as follows:

	1976	1975
	(dollars in thousands)	
Income before taxes:		
Income before securities transactions	$24,031	$24,549
Securities gains (losses)	37	(713)
Total	$24,068	$23,836

	1976 Amount	1976 %	1975 Amount	1975 %
	(dollars in thousands)			
Computed tax at statutory Federal rate	$11,553	48.0%	$11,441	48.0%
Increase (decrease) in taxes resulting from:				
Tax-exempt interest	(10,008)	(41.6)	(10,549)	(44.2)
Investment tax credit	–	–	(738)	(3.1)
Other (net)	157	.6	8	–
Total	$ 1,702	7.0%	$ 162	.7%

Deferred income taxes of approximately $18,517,000 and $16,815,000 are included in other liabilities in the consolidated balance sheet at December 31, 1976 and 1975, respectively. Because the Corporation had no taxable income in 1976, no investment tax credits were recognized.

The tax returns for the years 1971 through 1974 are being examined by the Internal Revenue Service and the examining agents have proposed certain adjustments to the returns as filed. Management believes that any liability arising as a result of these examinations will not be material to the Corporation's consolidated financial position or to the results of its operations.

6. Long-Term Debt

Long-term debt at December 31, 1976 and 1975 was comprised of the following:

	1976	1975
7% Notes payable, due in 1979	$25,000,000	$25,000,000
10% Mortgage notes payable through 2002	8,000,000	–
	$33,000,000	$25,000,000

7. Pension

Pension expense, including amortization of prior service cost, for the years ended December 31, 1976 and 1975 was $1,615,000 and $1,527,000, respectively. Unfunded prior service cost at December 31, 1976, was $12,743,000. The actuarially computed value of vested benefits exceeded the assets of the fund at December 31, 1976, by $2,783,000.

Effective April 1, 1976, the Corporation amended its pension plans in accordance with requirements of the Employee Retirement Income Security Act of 1974 (ERISA) and effected other plan improvements. The cost associated with these changes would have been approximately $400,000, or five cents per share for 1976, had the Corporation not changed the amortization period of prior service costs from ten to thirty years.

8. Commitments and Contingent Liabilities

BancOhio, through its largest affiliate, BancOhio/Ohio National Bank, has substantially completed construction of a 25-story office building in downtown Columbus, Ohio. Land, building and furnishings are expected to cost approximately $39 million. BancOhio and BancOhio/Ohio National Bank, occupying approximately 50 percent of the net rentable area, moved into the building in mid-1976. The remainder of the net rentable area will be leased to others and is expected to be ready for occupancy in the first half of 1977.

In the normal course of business, there are various outstanding commitments and contingent liabilities, such as commitments to extend credit and guarantees (including standby letters of credit of $8,510,000) at December 31, 1976, which are not reflected in the accompanying financial statements. The Corporation does not anticipate any material losses as a result of these transactions.

9. Quarterly Results (unaudited)

The following table summarizes the quarterly results of operations for 1976:

	Total Operating Income	Net Operating Income Amount	Net Operating Income Per Share	Net Income Amount	Net Income Per Share
	(in thousands except per share amounts)				
First Quarter	$ 59,199	$ 5,375	$ .74	$ 5,406	$ .74
Second Quarter	62,412	6,108	.83	6,076	.83
Third Quarter	64,433	5,808	.80	6,040	.83
Fourth Quarter	66,189	5,056	.69	4,844	.66
Year	$252,233	$22,347	$3.06	$22,366	$3.06

Auditors' Opinion

January 21, 1977

Haskins & Sells
Certified Public Accountants
250 East Broad Street
Columbus, Ohio 43215

To the Shareholders and Directors
of BancOhio Corporation:

We have examined the consolidated balance sheets of BancOhio Corporation and subsidiaries as of December 31, 1976 and 1975 and the related consolidated statements of income, retained earnings, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned financial statements present fairly the financial position of BancOhio Corporation and subsidiaries at December 31, 1976 and 1975 and the results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Haskins & Sells

Consolidated Average Balance Sheet Data

(in millions)

	1976		1975	
	Amount	Pct/ Total	Amount	Pct/ Total
Assets				
Earning Assets:				
Loans				
Commercial	$ 552	15.8%	$ 563	18.4%
Real Estate	431	12.3	403	13.1
Consumer (net of unearned income)	479	13.7	460	15.0
Total loans	1,462	41.8	1,426	46.5
Less reserve for loan losses	14	.4	13	.4
Net loans	1,448	41.4	1,413	46.1
Investment securities				
Taxable	934	26.7	578	18.8
Tax-exempt	428	12.2	461	15.0
Total investment securities	1,362	38.9	1,039	33.8
Money market instruments	209	6.0	181	5.9
Total Earning Assets-Net	3,019	86.3	2,633	85.8
Cash and due from banks	334	9.6	310	10.1
Other assets	143	4.1	125	4.1
Total assets	$3,496	100.0%	$3,068	100.0%
Liabilities and Shareholders' Equity				
Interest Bearing Liabilities:				
Interest bearing deposits				
Savings	$1,020	29.2%	$ 861	28.1%
Time	808	23.1	726	23.6
Total interest bearing deposits	1,828	52.3	1,587	51.7
Short-term purchased funds	459	13.1	330	10.8
Long-term debt	31	.9	25	.8
Total interest bearing liabilities	2,318	66.3	1,942	63.3
Demand deposits	899	25.7	863	28.1
Other liabilities	43	1.2	43	1.4
Total liabilities	3,260	93.2	2,848	92.8
Shareholders' equity	236	6.8	220	7.2
Total liabilities and shareholders' equity	$3,496	100.0%	$3,068	100.0%

1974		1973		1972		1971		Growth Rate	
Amount	Pct/ Total	Amount	Pct/ Total	Amount	Pct/ Total	Amount	Pct/ Total	One Year 1976-1975	Five Year Compounded 1976-1971
$ 625	21.4%	$ 625	22.5%	$ 463	19.4%	$ 387	19.1%	(1.9)%	7.4%
407	14.0	372	13.4	317	13.3	287	14.2	6.8	8.5
462	15.9	384	13.8	296	12.4	250	12.4	4.3	13.9
1,494	51.3	1,381	49.7	1,076	45.1	924	45.7	2.5	9.6
14	.5	15	.5	16	.7	16	.8	4.8	(2.8)
1,480	50.8	1,366	49.2	1,060	44.4	908	44.9	2.5	9.8
431	14.8	589	21.2	576	24.2	442	21.8	61.7	16.1
469	16.1	381	13.7	345	14.5	317	15.6	(7.3)	6.2
900	30.9	970	34.9	921	38.7	759	37.4	31.1	12.4
117	4.0	63	2.3	48	2.0	30	1.5	15.5	47.8
2,497	85.7	2,399	86.4	2,029	85.1	1,697	83.8	14.7	12.2
315	10.8	298	10.7	299	12.6	280	13.8	7.8	3.6
100	3.5	79	2.9	54	2.3	49	2.4	14.1	23.7
$2,912	100.0%	$2,776	100.0%	$2,382	100.0%	$2,026	100.0%	14.0%	11.5%

$ 784	26.9%	$ 724	26.1%	$ 644	27.0%	$ 577	28.5%	18.5%	12.1%
702	24.1	675	24.3	569	23.9	426	21.0	11.3	13.6
1,486	51.0	1,399	50.4	1,213	50.9	1,003	49.5	15.2	12.7
286	9.8	266	9.6	123	5.2	66	3.3	39.2	47.6
25	.9	25	.9	15	.6	—	—	24.8	—
1,797	61.7	1,690	60.9	1,351	56.7	1,069	52.8	19.4	16.7
875	30.0	869	31.3	808	33.9	745	36.8	4.2	3.8
43	1.5	33	1.2	51	2.2	51	2.5	(0.9)	(3.4)
2,715	93.2	2,592	93.4	2,210	92.8	1,865	92.1	14.5	11.8
197	6.8	184	6.6	172	7.2	161	7.9	7.3	8.0
$2,912	100.0%	$2,776	100.0%	$2,382	100.0%	$2,026	100.0%	14.0%	11.5%

Consolidated Summary of Earnings

(tax equivalent basis) (in thousands except per share amounts)	1976
Interest income:	
Interest on loans	
Commercial	$ 43,840
Real estate	33,556
Consumer	56,555
Total	133,951
Investment income	
Taxable	61,158
Non-taxable	40,035
Total	101,193
Interest on money market instruments	13,731
Total interest income	248,875
Interest expense:	
Interest on deposits:	
Savings	51,103
Time	50,822
Total	101,925
Interest on purchased funds	23,211
Interest on long-term debt	2,458
Total interest expense	127,594
Net interest income	121,281
Service charges and other income	22,575
Adjusted operating income	143,856
Provision for loan losses	10,809
Other operating expenses	89,799
Total	100,608
Income before income taxes, securities transactions & effect of change in accounting method	43,248
Tax equivalent adjustment	19,217
Applicable income tax	1,684
Income before securities transactions and effect of change in accounting method	22,347
Securities transactions — less related income taxes	19
Cumulative effect of change in accounting method	—
Net Income	$ 22,366
Average shares outstanding	7,308,628
Per Share of Common Stock:	
Income before securities transactions and cumulative effect of accounting change	$3.06
Securities transactions	—
Cumulative effect of change in accounting method	—
Net Income	$3.06
Cash dividends	$1.20

1975	1974	1973	1972	1971	Growth Rate: One Year 1976-1975	Growth Rate: Five Year Compounded 1976-1971
$ 48,836	$ 61,124	$ 49,770	$ 30,842	$ 28,238	(10.2)%	9.2%
30,511	30,262	26,289	21,099	17,596	10.0	13.8
54,085	53,022	40,389	32,555	27,495	4.6	15.5
133,432	144,408	116,448	84,496	73,329	.4	12.8
37,682	26,405	35,257	29,515	21,838	62.3	22.9
42,473	43,621	31,867	29,171	25,561	(5.7)	9.4
80,155	70,026	67,124	58,686	47,399	26.3	16.4
13,699	12,725	6,176	2,241	1,628	0.2	53.2
227,286	227,159	189,748	145,423	122,356	9.5	15.3
42,726	38,996	33,944	27,834	26,413	19.6	14.1
46,940	54,821	42,834	29,808	20,923	8.3	19.4
89,666	93,817	76,778	57,642	47,336	13.7	16.6
19,268	28,892	23,500	6,018	3,473	20.5	46.2
1,791	1,791	1,791	1,105	—	37.2	—
110,725	124,500	102,069	64,765	50,809	15.2	20.2
116,561	102,659	87,679	80,658	71,547	4.0	11.1
20,390	18,608	14,413	11,422	10,482	10.7	16.6
136,951	121,267	102,092	92,080	82,029	5.0	11.9
12,213	7,061	3,454	1,970	1,477	(11.5)	48.9
79,802	71,208	62,300	54,529	50,426	12.5	12.2
92,015	78,269	65,754	56,499	51,903	9.3	14.2
44,936	42,998	36,338	35,581	30,126	(3.8)	7.5
20,387	20,938	15,296	14,002	12,270	(5.7)	9.4
504	(656)	1,982	3,114	2,200	234.1	(5.2)
24,045	22,716	19,060	18,465	15,656	(7.1)	7.4
(371)	(1,724)	(128)	1,049	2,867	105.1	(63.3)
—	6,208	—	—	—	—	—
$ 23,674	$ 27,200	$ 18,932	$ 19,514	$ 18,523	(5.5)	3.8
7,308,628	7,308,628	7,308,628	7,291,307	7,259,844	—	0.1
$3.29	$3.11	$2.61	$2.54	$2.16	(7.1)	7.4
(.05)	(.24)	(.02)	.14	.39	105.1	(63.3)
—	.85	—	—	—	—	—
$3.24	$3.72	$2.59	$2.68	$2.55	(5.5)	3.8
$1.15½	$1.07½	$ .96	$ .92	$ .88	3.9%	6.4%

Consolidated Average Yield Earned and Rates Paid

(tax equivalent basis)
(in thousands)

	1976	
	Interest Income/ Expense	Rates Earned/ Paid
Earning assets:		
Loans		
Commercial	$ 43,840	7.94%
Real estate	33,556	7.79
Consumer	56,555	11.80
Total loans	133,951	9.16
Investment securities		
Taxable	61,158	6.55
Tax-exempt	40,035	9.35
Total investment securities	101,193	7.43
Money market instruments	13,731	6.57
Total on earnings assets	248,875	8.21
Interest bearing liabilities:		
Deposits		
Savings	51,103	5.01
Time	50,822	6.29
Total interest bearing deposits	101,925	5.57
Short-term purchased funds	23,211	5.06
Long-term debt	2,458	7.88
Total on interest bearing liabilities	127,594	5.50
Net Interest Income (spread or interest margin)	$121,281	
Difference between rates earned and paid		2.71%
As a percent of average total assets		3.47%

1975		1974		1973		1972		1971	
Interest Income/ Expense	Rates Earned/ Paid	Interest Income/ Expense	Rates Earned/ Paid	Interest Income/ Expense	Rates Earned/ Paid	Interest Income/ Expense	Rates Earned/ Paid	Interest Income/ Expense	Rates Earned/ Paid
$ 48,836	8.67%	$ 61,124	9.79%	$ 49,770	7.97%	$ 30,842	6.66%	$ 28,238	7.29%
30,511	7.57	30,262	7.43	26,289	7.07	21,099	6.67%	17,596	6.13
54,085	11.76	53,022	11.47	40,389	10.51	32,555	10.99	27,495	10.98
133,432	9.36	144,408	9.67	116,448	8.43	84,496	7.85	73,329	7.93
37,682	6.52	26,405	6.13	35,257	5.98	29,515	5.12	21,838	4.94
42,473	9.20	43,621	9.31	31,867	8.36	29,171	8.46	25,561	8.07
80,155	7.72	70,026	7.78	67,124	6.92	58,686	6.37	47,399	6.25
13,699	7.57	12,725	10.83	6,176	9.83	2,241	4.70	1,628	5.50
227,286	8.59	227,159	9.05	189,748	7.86	145,423	7.11	122,356	7.14
42,726	4.96	38,996	4.97	33,944	4.69	27,834	4.32	26,413	4.58
46,940	6.47	54,821	7.81	42,834	6.35	29,808	5.24	20,923	4.91
89,666	5.65	93,817	6.31	76,778	5.49	57,642	4.75	47,336	4.72
19,268	5.84	28,892	10.10	23,500	8.83	6,018	4.88	3,473	5.30
1,791	7.16	1,791	7.16	1,791	7.16	1,105	7.18	—	—
110,725	5.70	124,500	6.93	102,069	6.04	64,765	4.79	50,809	4.75
$116,561		$102,659		$ 87,679		$ 80,658		$ 71,547	
	2.89%		2.12%		1.82%		2.32%		2.39%
	3.80%		3.53%		3.16%		3.39%		3.53%

Selected Statistical Information

Ratios	1976	1975	1974	1973	1972	1971
Balance Sheet Related (Averages):						
Total loans to total deposits	53.63%	58.22%	63.27%	60.89%	53.26%	52.87%
Demand deposits to total deposits	32.96	35.22	37.06	38.33	39.98	42.61
Earning assets to total assets	86.75	86.25	86.22	86.95	85.81	84.53
Interest bearing liabilities to earning assets	76.44	73.38	71.57	70.00	66.09	62.41
Reserve for loan losses to total loans	1.06	.94	.90	1.09	1.44	1.71
Shareholders' equity to total loans	16.12	15.42	13.19	13.33	16.01	17.38
Shareholders' equity to assets	6.74	7.17	6.77	6.63	7.23	7.93
Shareholders' equity to total deposits	8.65	8.98	8.34	8.12	8.53	9.19
Income Statement Related:						
Return on average assets	.64	.78	.78	.69	.78	.77
Return on average shareholders' equity	9.48	10.94	11.53	10.36	10.72	9.74
Net operating earnings to net interest income*	18.43	20.63	22.13	21.74	22.89	21.88
Other operating income to net interest income*	18.61	17.49	18.13	16.44	14.16	14.65
Other operating expenses to net interest income*	74.04	68.46	69.36	71.05	67.61	70.48
Non-interest expense, including provision for loan losses to net interest income*	82.95	78.94	76.24	74.99	70.05	72.54
Net loan losses to average total loans	.59	.86	.59	.33	.25	.24
Provision for loan losses to average total loans	.74	.86	.47	.25	.18	.16
Dividends declared to net income	39.21	35.66	28.88	37.07	34.33	34.51
Shareholder Related Data:						
Operating income per share	$ 3.06	$ 3.29	$ 3.11	$ 2.61	$ 2.54	$ 2.16
Net income per share	3.06	3.24	3.72	2.59	2.68	2.55
Shareholders' equity per share	33.05	31.19	29.10	26.45	24.85	23.07
Cash dividends per share	1.20	1.15½	1.07½	.96	.92	.88
Stock dividends	—	—	—	4.00%	4.00%	4.00%
Market price range (bid)						
High	$19¼	$16¼	$22	$30⅞	$27⅝	$24⅞
Low	13½	11¼	11	19¼	23⅜	22¼
Year-end	19¼	13½	11¼	21	26½	24⅞
Average price/earnings ratio	5.6x	4.3x	5.4x	9.5x	10.0x	10.9x
Average number of shares outstanding	7,308,628	7,308,628	7,308,628	7,308,628	7,291,307	7,259,844
Number of shareholders	14,770	14,890	14,441	13,545	12,797	11,843

*Tax equivalent basis

Summary of Quarterly Operations

(in thousands, except per share amounts) — Quarters Ended

	December 31, 1976	December 31, 1975	September 30, 1976	September 30, 1975	June 30, 1976	June 30, 1975	March 31, 1976	March 31, 1975
Net interest income*	$31,971	$30,244	$30,460	$28,589	$29,626	$29,541	$29,224	$28,187
Service charges and other income	5,948	5,051	5,691	5,189	5,517	5,171	5,419	4,979
Adjusted operating income*	37,919	35,295	36,151	33,778	35,143	34,712	34,643	33,166
Loan loss provision	3,162	4,023	2,308	2,789	2,300	2,924	3,039	2,477
Other operating expenses	24,956	21,082	22,631	20,018	21,127	19,487	21,085	19,215
Income before taxes and security transactions*	9,801	10,190	11,212	10,971	11,716	12,301	10,519	11,474
Provision for income taxes	(99)	(841)	652	239	812	704	319	402
Tax equivalent adjustment	4,844	5,028	4,752	5,070	4,796	5,195	4,825	5,094
Operating income	5,056	6,003	5,808	5,662	6,108	6,402	5,375	5,978
Security transactions	(212)	321	232	(7)	(32)	144	31	(829)
Net Income	$ 4,844	$ 6,324	$ 6,040	$ 5,655	$ 6,076	$ 6,546	$ 5,406	$ 5,149
Per share data —								
Operating income	$.69	$.82	$.80	$.78	$.83	$.87	$.74	$.82
Net income	.66	.87	.83	.77	.83	.89	.74	.71
Dividends	.30	.33	.30	.27½	.30	.27½	.30	.27½

*Tax equivalent basis

Directors

John L. Burgoon
Senior Vice President and Secretary of BancOhio Corporation

Theodore M. Garver[2]
Partner, Jones, Day, Reavis and Pogue, Attorneys

John B. Gerlach[1]
President, Lancaster Colony Corporation of Columbus, manufacturers and distributors of diversified household products

Vincent H. Johnson
Chairman of the Board and Chief Executive Officer, BancOhio/Akron National Bank.

George W. Kauffman[2]
President, Kauffman-Lattimer Co., Columbus, wholesale drug distributors

William E. MacDonald[2]
Vice President, Ohio Bell Telephone Company, a telephone communications and service affiliate of AT&T

Walter C. Mercer
Vice Chairman of BancOhio Corporation, Chairman and Chief Executive Officer of BancOhio/Ohio National Bank

Henry M. O'Neill, Jr.
Chairman of the Board and Chief Executive Officer, Beverage Management, Inc.

John F. Wolfe[1]
President and Publisher, The Dispatch Printing Company, publishers of the Columbus Dispatch

Richard M. Wolfe
President of RadiOhio, Inc., WBNS-TV, Inc., and VideoIndiana, Inc., operators of radio and television stations

1- Audit Committee
2- Compensation Committee

Theodore M. Garver, Robert G. Stevens, William E. MacDonald, John F. Wolfe

Walter C. Mercer, George W. Kauffman, John L. Burgoon

Henry M. O'Neill, Jr., Richard M. Wolfe, John B. Gerlach, Vincent H. Johnson

Senior Officers


Robert G. Stevens


Walter C. Mercer


John L. Burgoon


Kenneth R. Murray


Donald W. Nelson


Alan D. Johnson


Dan L. Huffer


Robert M. Edwards


C. Robert Stalter


Robert H. Feike

Chairman's Office

Chairman, President & Chief Executive Officer
Robert G. Stevens

Vice Chairman
Walter C. Mercer

Senior Vice President & Secretary
John L. Burgoon

Vice President
Robert F. Weber

Assistant Vice President
Larry Wesney

Corporate Banking Group

Senior Vice President
Kenneth R. Murray

Vice Presidents
George Apelian
Robert A. Basehart
William N. Dearth
Emmett H. Dunaway
Gary Estep
James C. Hoover
Richard W. Palmer
John Tavener

Assistant Vice Presidents
James R. Anspaugh
W. Alex Cook
Edward W. Miller, Jr.

Consumer Banking Group

Senior Vice President
Donald W. Nelson

Assistant Vice Presidents
Anthony D. Priore
Robert D. Wickline
Dennis J. Miller

Money Management Group

Senior Vice President
Alan D. Johnson

Vice Presidents
Richard Brigden
Thomas A. Lydon

Assistant Vice Presidents
Carl R. Lackey
David A. LeVeck

Financial Planning & Control Group

Senior Vice President
Dan L. Huffer

Controller
James H. Gilmour

Auditor
Peter D. Webster

Assistant Vice Presidents
T. Jackson Case, Jr.
John Staskevich

Legal and Development Group

Senior Vice President
Robert M. Edwards

Operations Group

Senior Vice President
C. Robert Stalter

Vice Presidents
Norman L. Harris
Ralph L. Hughes
Lester Vincent

Assistant Vice Presidents
Kenneth E. Kaser
Donald E. Milward
John Otto
John J. Ransom
W. Roger Ridgway
Kenneth D. Sherman
Ronald E. Wean

Personnel Management Group

Senior Vice President
Robert H. Feike

Asst. Vice President
Harold M. Haas

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Glossary of Terms

Adjusted operating income
Net interest income plus all other revenues on a tax equivalent basis.

Cash-basis assets
Assets (primarily loans) on which income is recognized on a cash collection basis, rather than by the normal practice of accruing that income.

Daily average assets and liabilities
The mathematical average of all assets and liabilities appearing on the balance sheet for each day of the period. It is these volumes that produce interest income or expense in the period.

Fully taxable equivalent income
That portion of interest income from tax-exempt loans and securities increased by an amount to make this income equivalent to income which is taxable before any taxes are applied.

Money market instruments
Short-term and/or highly marketable interest earning assets (principally Federal funds sold, and securities, purchased under agreements to resell, time deposits of other banks and certain U.S. Government securities) which are financed by similar types of liabilites.

Net interest income
The difference between interest income on earning assets and interest expense on interest bearing liabilities.

Non-accrual loans
Loans which, because of a deterioration of the borrower's financial position, have become cash-basis assets.

Prime rate
The rate of interest charged the most credit-worthy customers for short term borrowings.

Purchashed funds
Short-term, interest bearing liabilities, principally Federal funds purchased and securities sold under agreement to repurchase.

Spread
The difference between the yield on earning assets and the interest paid on interest bearing liabilities—usually expressed as a percentage.

Annual Meeting

The 1977 Annual Meeting of Shareholders of BancOhio Corporation will be held at 10 AM on Wednesday, March 23, at BancOhio National Plaza, Columbus, Ohio. All shareholders are invited to attend.

Form 10-K

A copy of the Securities and Exchange Commission Form 10-K detailing the activities and financial results of BancOhio Corporation during 1976 will be furnished free of charge to any shareholder requesting it. Address any inquiries to Secretary, BancOhio Corporation, 155 East Broad Street, Columbus, Ohio 43265.

Transfer Agent and Registrar

BancOhio / Ohio National Bank
of Columbus, Columbus, Ohio 43265

The shares of BancOhio Corporation (NASDAQ Symbol BOHI) are actively traded in the Over-the-Counter Market.

Lift for glossary of terms

BancOhio
Corporation

155 East Broad Street
Columbus, Ohio 43265
614/463-8100